

THE INQUIRY OF CONGRESSMAN TOM LANTOS INTO ABUSES OF THE HUD SECTION 8 MODERATE REHABILITATION PROGRAM¹

On April 26, 1989, the Inspector General (IG) of the Department of Housing and Urban Development (HUD) made public a 700-page report on an investigation of HUD's Section 8 Moderate Rehabilitation Program (mod rehab). The report was titled "Thomas T. Demery, Former Assistant Secretary for Housing, HUD Section 8 Moderate Rehabilitation Program." B/599.² Thomas T. Demery had been the HUD Assistant Secretary for Housing from October 21, 1986, until January 19, 1989. The IG investigation had been prompted in the spring of 1988 by recent rumors about abuses of the funding process, including claims that mod rehab units could be purchased, as well as by the attention drawn by fundraisers for an organization called F.O.O.D for Africa (F.O.O.D.). F.O.O.D.--an acronym for "Federal Organization of Distribution"--was the American arm of a South African organization operating relief facilities in Mozambique. Demery had co-founded F.O.O.D. in his home state of Michigan after a trip to Africa in 1986, and served as its principal fundraiser until his appointment at HUD. F.O.O.D had raised little money prior to Demery's being nominated as Assistant Secretary for Housing in August 1986, but, according to the IG, between 1986 and 1988, F.O.O.D. raised a total of \$580,000 of which approximately half had come from participants in HUD programs. 1/26, B/1056. Between October 15, 1986, and May 2, 1988, approximately ten F.O.O.D. fundraisers had been held around the country, organized and attended by developers and consultants doing business with HUD, and usually with attendance by Demery often as the honored guest. Demery would introduce the guest speaker, F.O.O.D's President Peter Pretorius, praising the work Pretorius was doing for the children of southern Africa.

The IG investigation that resulted in the April 1989 report had been directed at determining whether Demery should be removed from the mod rehab selection process,

¹ Added May 2008: With minor exceptions, this document remains in the form in which it was created sometime in 1991. Little has been done to reformat it to adjust for irregularities as a result conversions from the earlier word-processing format. It should, however, be read with consideration of subsequent events. These include the indictment of Thomas T. Demery and related events discussed in a document on this page created December 1, 1994, styled "Testimony of Thomas T. Demery," as well as discussion of subsequent events related to Demery discussed at page 93-99 of the memorandum supporting the February 4, 1997 renewed motion of Deborah Gore Dean; the prosecution and plea agreement of Joseph A. Straus as discussed in the Office of Independent Counsel Larry D. Thompson's press released of August 31, 1995. These also include the May 1995 appointment of David M. Barrett as Independent Counsel to investigate HUD Secretary Henry Cisneros, a Washington Post article of Aug. 30, 1999, styled "Cisneros Prosecutor's HUD Connections: Independent Counsel Has Unusual Past," as well as opinion on Barrett's keeping his investigation active for more than ten years, such as discussed in a January 19, 2006 New York Times article styled "Inquiry on Clinton Official Ends with Accusation of Coverup." Barrett is discussed infra at 16-17, 20-22, 25, 27-29, 32-33, 38, 41. And the role of Hill & Knowlton in this matter it should be considered in light of the treatments by John McArthur and others of the role of Hill & Knowlton with regard to 1990 hearing of the Congressional Human Rights Caucus where a witness testified to observing atrocities committed by Iraqi soldiers after the invasion of Kuwait.

² The numbers before the slash indicate the volume of the hearings of Lantos' subcommittee, with the page number following. A "B" before the slash indicates the single volume of hearings before the House Banking Committee.

and, in November 1988, the HUD IG did recommend to HUD Secretary Samuel R. Pierce that Demery be removed from that process and that selections made under Demery in October 1988 be rescinded. Pierce rejected that recommendation.

Even though the investigation was motivated by concern over Demery's activities, well more than half of the initial funding decisions mentioned in the report predated Demery's tenure at HUD. The essential abuse reflected in the IG report involved the selection of requests of public housing authorities (PHAs) for mod rehab funding, not on the basis of merit, but on the basis of the consultant or developer whose project would likely be selected by the PHA that was awarded funding by HUD. (That HUD funded PHA requests, though sometimes on the basis of an individual's interest in a particular project, is the source of much inexact discussion throughout the hearings and a matter that may eventually complicate perjury prosecutions.) Mod rehab was very lucrative and consultants often received \$1,000 to \$1,500 per unit for securing mod rehab funding. Many of the consultants and developers whom the IG had found to benefit substantially from mod rehab projects were former HUD officials and employees, as well as prominent Republicans.

PART ONE

A. MAY 8, 1989 THROUGH JUNE 22, 1989

1. May 8, 1989--Tom Demery Appears Before the Lantos Subcommittee

On May 8, 1989, Demery appeared before the Housing and Employment Subcommittee of the House Government Operations Committee, chaired by California Democrat Tom Lantos, following testimony on the report by the HUD IG. At the outset of Demery's testimony, Lantos advised him that the subcommittee would not inquire into F.O.O.D. for Africa, stating as the reason "that it is our understanding that it is a perfectly legitimate charity, that you personally did not benefit from any of these contributions." 1/56. Demery asserted that he did not know the identity of developers and consultants who benefited from his decisions on mod rehab funding requests. He also pointed to the large proportion of fundings in the report that had occurred before his tenure, maintaining that the report, and especially its title, reflected "malice, negligence, a cover-up, or a combination of the three." 1/53. With respect to F.O.O.D. contributions, Demery averred: "I want to state without a shadow of a doubt that not only was there no quid pro quo, until the Inspector General's report came out, I did not know who contributed what to F.O.O.D. for Africa." As to the fundraisers, he added: "I did not profit, I did not organize. I did not solicit. I primarily attended." 1/56. In the ensuing testimony much attention would be given to a January 13, 1987 meeting attended by Demery, Pierce, and Pierce's Executive Assistant, Deborah Dean. At this meeting Demery sought to assert his control over the mod rehab selection process. He achieved only limited success at this time, with selections over the ensuing months carried out by a committee that included Demery and Dean, as well as General Counsel Michael Dorsey. According to Demery, however, he eventually completely reformed the mod rehab selection process through

changes he had commenced to implement in the fall of 1987 and which were fully in place by May 1988.

2. May 11, 1989--Adams and Demery Appear Before the House Banking Committee

On May 11, 1988, Demery and the IG both appeared again before the House Banking Committee. In questioning the IG, the Banking Committee showed much greater technical proficiency than Lantos' subcommittee, inquiring into matters such as the number and consequences of waivers allowing subsidized rents to exceed 120% of fair market rents. Allegations of abuse in the approval of waivers had been a subject of the IG report, but had not been discussed in Lantos' subcommittee.

Demery appeared better prepared when he testified before the Banking Committee than he had three days earlier. In addition to his lawyer, he was accompanied by representative of the public relations firm of Hill & Knowlton, who provided large-scale charts to illustrate Demery's description of the funding process. Nevertheless, Demery had a far more difficult time in the Banking Committee than he had had in Lantos' subcommittee, facing skeptical questioning not only about his assertions regarding lack of knowledge of the identity of consultants and F.O.O.D. donors, but also the legitimacy of F.O.O.D. itself.

Congressman Joseph Kennedy harangued Demery about overruling a recommendation of the HUD Regional Office to foreclose on a Boston development called Geneva Avenue Apartments owned by Alan S. Bird, of Real Property Services, whom the IG had identified as contributing \$29,500 to F.O.O.D (mistranscribed in the Banking Committee hearings volume as \$2,500). Demery stated that "I think I knew" that Bird contributed before he became Assistant Secretary, but that he did not know that Bird had contributed afterwards. B/73. The earlier contribution would have been a \$27,000 donation in connection with a fundraiser, sponsored and organized by Demery himself, held five days before his confirmation (though after he had been at HUD for several months being paid as an Expert Consultant while awaiting confirmation). Kennedy was dissatisfied with many of Demery's answers, observing, "it does seem to me that unless you are going to put this directly on Secretary Pierce or put this directly on Dean, then you are going to be the one who pays, because your answers are not coming clean." B/75. Kennedy also pressed Demery about whether favoritism might have affected the selections made after the implementation of Demery's changes. Demery responded: "There is no way I know of to have favoritism influence that process." B/76.

Congressman Bruce Morrison, of New Haven, Connecticut, questioned Demery with great intensity on several matters. He was particularly concerned about a New York developer named Aaron Gleich. The IG had reported that Gleich told a Portland, Maine official in August 1987 that he could get mod rehab units directly from Demery, and in May 1988 told a Los Angeles housing official that he had an "allocation" that he had not been able to use in the East. Morrison was particularly concerned about Demery's evident contacts with Gleich regarding an effort to put together a mod rehab project in

New Haven in early 1987. B/76-77, 105-08. There were indications in Demery's phone logs that the project had fallen through in about April 1987, just before Gleich appeared in Los Angeles. Morrison also expressed great skepticism at a claim by Demery that he had supported a mod rehab request from Gastonia, North Carolina on the basis of his personal review of the lengthy application and without knowledge of the consultant promoting the request. B/76. In the IG report the Gastonia funding had been treated as a case where officials of the local housing authority had applied for funding after a consultant had approached them suggesting that if they sent an application to Demery immediately, it would be funded.

Though the House Banking Committee initially appeared very interested in the matters raised in the IG report, when Lantos moved quickly to schedule further hearings, the Banking Committee deferred. The Senate Banking Committee also held one day of hearings in May, but never called Demery as a witness.

3. May 25, 1989--Judith Siegel Testifies Before the Lantos Subcommittee

If in the first hearing before Lantos the focus had shifted abruptly from F.O.O.D., in the second it shifted just as abruptly from Demery. The next witness after Demery was Judith Siegel, who appeared on May 25, 1989. Siegel, whose name appeared frequently in Demery's phone logs and calendars, had been in the mod rehab business as a developer or consultant since approximately 1984, sometimes in partnership with Joseph A. Strauss of The Phoenix Associates. According to the IG report, in 1986 she had paid James Watt \$300,000 to lobby Pierce for a project in Essex, Maryland called Kingsley Park. But she had received greater attention in the IG report because of the indications that she had been able to get mod rehab requests funded by Demery--with the focus principally on projects in Holyoke, Massachusetts, and Gastonia, North Carolina, both funded in early 1987. The IG report also indicated that in November 1988, the Gastonia project had received a waiver allowing the developer to charge in excess of standard allowable maximum rents. B/807.

Siegel had been a supporter of F.O.O.D, co-organizing a fundraiser in Boston in October 1987. She also solicited contributions to F.O.O.D. from developers with whom she did business, sending the checks either to F.O.O.D. headquarters in Michigan or directly to South Africa. Strauss of The Phoenix Associates, who was developer or consultant on numerous projects funded during Demery's tenure, had contributed \$15,000 to F.O.O.D. at a New York fundraiser in March 1987, which was also attended by Siegel.

In his testimony before both Lantos and the Banking Committee, Demery singled out the Gastonia funding on which Siegel had been a consultant, acknowledging that he had pushed the project, but maintaining that he did not know Siegel was involved until the IG report was issued. He insisted that Gastonia had been selected because it submitted a "tremendous application," which he had personally reviewed, a representation that, before the Banking Committee, Morrison had seemed to regard as ridiculous.

In Lantos' questioning of Siegel, however, Gastonia did not arise. Instead, Lantos

focused entirely on Siegel's relationship with Watt and, in fact, Lantos did not mention Demery's name. Only Congressman Christopher Shays asked Siegel whether she ever contacted Demery about mod rehab--one of the few times a Congressman asked anyone such a question. Siegel stated, as she had previously stated to the HUD IG (B/696), that she "never discussed specific projects" with Demery. 1/164.

4. June 22, 1989--Joseph Strauss, Philip Abrams, and Philip Winn Testify Before the Lantos Subcommittee.

a. Joseph A. Strauss

Joseph Strauss testified before the Lantos subcommittee a month after Siegel. Apart from Strauss's partnership with Siegel, the IG report had covered a number of matters that would be expected to elicit interest from the Lantos subcommittee concerning his involvement with Demery. In particular a Dade County Housing Official had reported two instances where developers for whom Strauss had operated as a consultant had appeared at her office with funding documents issued by HUD, indicating that certain of the allocations reflected in the documents were for their projects. In both instances the units then went to those developers' projects. Moreover, apparently Lantos had in his possession a document showing a 20 percent sample of calls from Demery's suite of offices over a 6-month period between August 1987 and February 1988 indicating that about 14 calls per month were going to a West Virginia number, which minimal investigative work could have shown to be Strauss's number.

Nevertheless, in the questioning of Strauss, Demery's name was hardly mentioned. No one asked Strauss whether he had ever contacted Demery to secure assistance on mod rehab funding. And though in Lantos' questioning of both Siegel and Strauss much would be made of their need to hire Watt in 1986 because they could not get their calls returned at HUD, no one inquired into the degree to which this situation persisted after Demery took office.

b. Philip Abrams and Philip Winn

The same day that Strauss testified, two former Assistant Secretaries for Housing, Philip Winn and Philip Abrams, also appeared before Lantos. Winn and Abrams were principal figures in the so-called "Winn Group" of Englewood, Colorado, which had figured prominently in the HUD IG report because its members had been especially successful in securing mod rehab units from HUD, and also had contributed substantial sums to F.O.O.D., as well as organizing several F.O.O.D. fundraisers. In addition to Winn and Abrams, persons associated with the Winn Group's mod rehab activities included Silvio Debartolomeis, who had been the Acting Assistant Secretary for Housing until Demery's appointment, and J. Michael Queenan, a former housing official in HUD's Denver Regional Office, both of whom were located in the Winn Group offices. Others associated with the Group's mod rehab ventures were Lance Wilson, an employee of Paine Webber in New York, and Denver developer Raymond T. Baker, of Gold Crown, Inc.

The IG report contained allegations that the Winn Group could get an unlimited number of mod rehab units and were able to get rent reasonableness and other requirements waived on their projects, and it reported various actions of Winn Group members that suggested that they could secure mod rehab units through the exercise of influence in Washington. Records showed that Demery had frequent contacts with Winn and Abrams, as well as with Debartolomeis, Wilson and Queenan. The IG report also indicated that Demery stayed in Winn's condominium in Vail over Christmas of 1987 and had faxed to Winn Group offices a draft of an internal HUD policy document. In addition, Wilson had hosted a F.O.O.D. fundraiser in New York, attended by Winn, Abrams, and Queenan, at which \$65,000 was raised. Winn, Abrams, and Wilson were later co-hosts with several others of a fundraiser in Washington in October 1987. Queenan hosted a fundraiser in Denver in April 1988, at which Queenan himself had contributed \$36,000. Demery had attended all of these events.

Despite these extensive associations, however, Demery had stated to the House Banking Committee, as he had stated to the HUD IG a year before (B/1043), that he did not know that Winn and Abrams were involved with the mod rehab program. B/99.3

Most of the Winn Group activities treated in the IG report occurred after Demery became Assistant Secretary for Housing and much of it after Dean left HUD in July 1987. In fact, it had been in the late summer of 1987 that Queenan had begun to appear at public housing authorities expressing with some confidence the view that could secure mod rehab funding from HUD if the PHA would use "the right developer." According to one source, to the questions, "I see, if I do it with your developer, I'll get the units," Queenan had responded: "I wouldn't be so dramatic, but yes." B/1040.

One matter given particular attention in the IG report involved a situation where Winn and Queenan had approached at Richland, Washington housing authority in September 1987. After suggesting to the authority that the request would be funded, Winn and Queenan assisted the housing authority in preparing a request for 158 mod rehab units, which was then mailed to Demery near the end of September. The request was funded on February 4, 1988, with Queenan advising housing authority officials of the funding decision several days earlier. Interviews with Richland officials were among the earliest appearing in the IG report and may in fact have had a role in causing the IG to undertake a serious investigation of Demery and the mod rehab program. When Demery had been interviewed in May 1988, however, he denied that the Winn Group had anything to do with the funding of the Richland request.

Another situation treated at length in the IG report had concerned the funding of a

³ Added 10/05: Demery would eventually be indicted for perjury for his statements that he did not know Winn and Abrams were in the mod rehab program. He would explain that he falsely denied knowing they were in the mod rehab program because he was concerned the discussion of Winn or Abrams would lead to discussion of his having stayed in Winn's condominium. He acknowledged previously falsely stating to an IG investigator that he had paid \$500 for use of the condominium and that he had then caused a false receipt to be fabricated to support that claim.

Casper, Wyoming request for 145 mod rehab units. That funding involved several irregularities preceding its initial funding by HUD headquarters, also on February 4, 1988. Pursuant to instructions Demery gave to Regional Administrators on September 25, 1987, field offices were to request that PHAs in their regions submit PHA requests. Field offices were then to provide HUD Headquarters with an evaluation of the PHA, on criteria including past performance in the administration of mod rehab. The Denver Office had not recommended Casper for funding because it had not previously administered a mod rehab project, and therefore was ostensibly excluded by Demery's memorandum. Nevertheless, on October 29, 1987, the Casper Housing Authority sent a letter request directly to Demery. On January 20, 1988, Demery's Executive Assistant, Christine Oliver, would request the Denver Regional Office to provide an evaluation of the Casper mod rehab request. This was provided in a January 22, 1988 memorandum from Denver Regional Administrator Maples, referencing the request from Oliver and noting that the Denver office had not yet seen the Casper request. 6/278. On January 29, pursuant to a further request from Oliver, the Denver Regional Office rewrote the January 22 memorandum deleting the reference to Oliver's earlier request. 5/366, B/1008, 6/281.

HUD Headquarters then assigned 145 units to the Denver Regional Office for use in Casper. At the Regional level, however, HUD staff strongly disagreed with the decision actually to fund Casper. In memoranda written in March, April and May, the Supervisory Regional Economist expressed doubts about the PHA's ability to fill the units and concerns about the impact of the units on the existing subsidized and non-subsidized housing markets. He argued that, rather than 145 units then being considered, the funding level should be reduced to 38 units. 5/557-64.

It was during the period that staff in the Denver office was opposing the funding of 145 mod rehab units in Casper that Queenan held a F.O.O.D. fundraiser in Denver, which was attended by Demery as well as most of the members of the Winn Group. Among the persons for whom Queenan would make hotel reservations were Demery and Wilson, as well Sharon Shore, Director of the Casper Housing Authority, who had been invited to attend as a guest of Queenan. B/1006, 1142-43. .

Despite receiving, on May 24, 1988, a forceful memorandum from the Supervisory Regional Economist opposing the award of 145 units to Casper (B/1005, 4/564), by memorandum dated May 28, 1988, Regional Administrator Maples would instruct the Director of Housing to fund Casper's request. Maples memorandum stated: "Mr. Thomas T. Demery, Assistant Secretary for Housing, Federal Housing Commissioner, stated the units were being allocated to Casper upon requests of the Casper Housing Authority to help meet housing needs in this energy impacted community." Citing also to letters of support from the Governor of Wyoming and the Congressional delegation, Maples concluded that "the application is acceptable and is approved." B/1005.

Despite these reasons for a searching inquiry into their connections with Demery, when Winn and Abrams appeared before Lantos, the questioning focused almost entirely on the contacts they made with Deborah Dean, whom both Winn and Abrams had written or called lobbying for certain projects before and after Demery took office.

Lantos did confront Abrams with the fact that the 20% sample of calls over the six-month period from August 1987 until February 1988 included 42 calls from Demery's office to Winn Group offices--400 calls per year by Lantos' count--and raised the matter with Winn as well. 2/286, 2/318. (Though not mentioned by Lantos, handwritten notations on the document used by Lantos also indicated that 39 calls were to Winn Group affiliate Lance Wilson (2/336).) Lantos also briefly questioned Abrams regarding Demery's sharing of a draft of an internal HUD policy document establishing the standards for a new program similar to mod rehab. The document had been faxed to Winn Group offices while Demery was visiting Colorado in December 1987 and then commented on by Abrams. Lantos did not, however, explore the significance of the document or even clarify whether Demery had in fact shared it with Abrams. 2/286, 302.

More significant, neither Lantos, nor anyone else on the committee, asked Winn or Abrams whether they had contacted Demery to secure mod rehab units or any type or waiver. Though Congressman Christopher Shays would berate Abrams regarding the rental waivers, he did not ask Abrams who had granted the waivers or when they were granted. Without mention of Demery, Shays concluded that the fault was Dean's. 2/306-08 (No. 1).⁴ Though much was made of the fact that the Winn Group had secured a very large share of the mod rehab units available throughout the nation, no one questioned Winn and Abrams as to what business they had led Demery to believe they were in. And though Demery had told the HUD IG that he had paid \$500 dollars in cash for rental of a condominium in Vail over Christmas of 1987, and DeBartolomeis had later told the HUD IG that the condominium had belonged to Winn, no one questioned Winn about the reasonableness of the price or whether the money had in fact been paid.

Richland, Washington and Casper, Wyoming were never mentioned.

Reflective of the limited attention given to Demery in the questioning at the June 22, 1989 hearing, as well as the general shift of attention from Demery, is the fact that in front-page articles in The New York Times on the day following the hearing, there would be no mention of Demery. Though seven weeks earlier it had run four articles in two days on Demery's favoring of contributors to F.O.O.D., on the day following the testimony of Strauss, Abrams, and Winn, the Boston Globe also would omit any reference to Demery; instead, it would note that the subcommittee "was told that Deborah Gore Dean, assistant to former secretary, Samuel Pierce Jr., wielded most of the clout in determining which projects would be approved for funding between 1985 and 1987.

Actually, however, neither Strauss, nor Abrams, nor Winn had said any such thing. The reporter perhaps was instead recalling the observations of Christopher Shays, who

⁴ Shays' berating of Abrams for his contacts with Demery would follow Abrams' acknowledgment of writing Dean on behalf of the Colorado Housing Finance Agency on March 24, 1987. Though two of the three letters Abrams wrote to Dean would be placed in the record, this one would not. The letter would have shed light on the issue of whether Winn and Abrams had contacted Demery about mod rehab, for in it Abrams stated, "I did see Tom Demery and asked for consideration for the attached request for mod rehab from C.H.F.A...." FA11/0592F.

observed again and again: ""The whole story here, the whole key is Deborah Gore Dean. She's the whole key. You knew it. Everybody knew it. She was the key.... The very center was Deborah Gore Dean. She made most of the decisions....it all happened during Deborah Gore Dean's tenure; it happened with notes personally directed to her..."

One thing that was evident from the hearing, however, is that Lantos did not find Winn a very credible witness, at one point angrily declaiming (2/326):

"... The Chair is getting sick and tired of hearing that you were not involved, you didn't personally do it, you didn't know the rules, you didn't know the regulations. This is getting to be very, very implausible. And I think it is extremely important for you to know that you are under oath and that your constant repetition that you didn't know is not believable."

B. June 23, 1989 Through October 13, 1989

1. J. Michael Queenan

The next Winn Group member to testify before Lantos would be a former employee of HUD's Denver Regional Office, J. Michael Queenan. Presumably, Demery's assertion that he did not know Winn and Abrams were involved with mod rehab would have applied to Queenan, whether he was their partner or employee. Demery had told the House Banking Committee that "Queenan was an employee of [Winn and Abrams] but did some--Queenan was never a player in my understanding as to who or what he did" (B/99). Earlier in the hearing, however, when questioned as to whether Queenan would prove to have benefited from mod rehab decisions of late 1988 not covered in the IG report, Demery had stated that this might occur because in cases where Queenan operated as a consultant, the PHA "would have a spectacular application." B/72.

There were a number of reasons why one would expect the questioning of Queenan to focus on his contacts with Demery. The IG report had treated at length a F.O.O.D. fundraiser organized by Queenan in Denver on April 28, 1988, at which he had personally contributed at least \$36,000. This occurred just before a decision was made to override a strong recommendation of Denver Regional Office staff against sending 145 mod rehab units to Casper, Wyoming, where the Winn Group had a project planned. Moreover, issues had been raised about the Casper funding that went well beyond the final decision to override Denver HUD's staff recommendations against releasing the units to the Casper PHA. Under procedures implemented by Demery in the fall of 1987 as part of the reforms he described to Lantos, regional offices were to recommend housing authorities for funding. Yet, using wording suggested by Queenan, on October 29, 1987, the Casper Housing Authority sent a request for 145 units directly to Demery, and was selected for funding at a meeting between Pierce and Demery on November 23, 1987. Before the units were actually transmitted to HUD's Denver Regional Office in February 1988, however, Demery's executive assistant, Christine Oliver, had requested Denver HUD to place Casper on its list of recommended fundings. Denver did so, referencing Oliver's request. Then, at Oliver's direction, Denver rewrote the memorandum to delete the reference to her request. See B/1008, 5/354, 5/366-67.

According to the HUD IG report, Queenan also had a central role with regard to the Winn Group's successful effort to secure mod rehab funding for Richland, Washington. Queenan and Winn had approached Richland Housing Authority officials in September 1987, encouraging them to make a mod rehab request, and providing language for such a request to be sent to Demery. B/966-68. Queenan had also received extensive treatment by the HUD IG for various other activities in late 1987 and early 1988 that suggested he had contacts through which he could secure mod rehab units. For example, the IG reported that Queenan had approached the Santa Cruz (CA) Housing Authority in November of 1987, stating that if the housing authority would use "the right developer," he could get them mod rehab units from HUD. To the question "I see, if I do it with your developer, I'll get the units?" Queenan responded: "I wouldn't be so dramatic, but yes." B/1040.

These activities had occurred after Dean left HUD. She had resigned on July 2, 1987, and though she stayed on as a consultant while awaiting a confirmation process, there had never been a suggestion that she had any role in the process after her resignation. Even Demery acknowledged this, writing to Banking Committee member Bruce Vento that "[b]y the fall of 1987, after Dean had left HUD, true reform to the selection process could begin and did so." B/1256.

2. Increasing Attention to Demery in the Press

Moreover, a number of newspaper articles appeared between Winn's and Abrams' testimony in late June and Queenan's appearance in October that called increasing attention to Demery. On July 7, 1988, a front page article on the Washington Post (No. 2) discussed the clash between Dean and Demery while they both were at HUD. The article also described how the initial focus on the HUD IG report had been upon Demery, but that he had immediately employed the public relations services of Hill & Knowlton and subsequently had been successful in directing the inquiry first away from F.O.O.D., and later from himself. The article noted that Demery had originally defended the mod rehab selection process, but had later altered his account, saying that there was favoritism in the awards, but that it occurred at Dean's level not his. Though much of the article was about Dean, it described Demery's extensive contacts with developers and consultants, noting that he had dined at expensive restaurants with developers such as Siegel and Abrams.

On July 9, 1989, a front page article on the Sunday Washington Post (No. 3) focused on Demery and the F.O.O.D. fundraisers, giving particular attention to the activities of the Winn Group in seeing that HUD sent mod rehab units to Richland, Washington and Casper, Wyoming in 1988. In addition to describing Winn Group fundraising activities for F.O.O.D, particularly by Wilson and Queenan, the article stated that Demery had overruled Denver HUD staff in order to fund Casper only days after the Winn Group had collectively contributed close to \$50,000 to F.O.O.D. Although in the HUD IG report, the Denver Regional Administrator accepted responsibility for the final decision on Casper, the article quotes Demery apparently acknowledging that he (Demery) had made the decision and defending it. It also quoted Demery as stating that he did not know who contributed to F.O.O.D., but that in cases where he later learned that a person doing business with HUD was a contributor, he recused himself from HUD matters involving the person--a representation that seemed patently contrary to Demery's Banking Committee testimony regarding Alan Bird and the Geneva Avenue Apartments. That piece also disclosed for the first time in the press that after testifying before Lantos, Pierce had said of Demery, "if you wanted the guy to look at you favorably, you gave to his favorite charity."

A similar article would appear that day in the Los Angeles Times (No. 4). That piece also reported an interview with Lantos in which he stated that he did not believe laws were violated, noting that it was clear that the contributors were trying to ingratiate themselves with Demery, but adding, "[e]yebrows can be raised, but not much else."

On July 13, 1989, a New York Times article (No. 5), in describing mounting estimates of losses in HUD's co-insurance program, reported that an F.B.I. investigation into the activities of a private co-insurer, DRG Funding Corporation, had been broadened to include an inquiry into DRG's ties with Demery, who had brokered loans for DRG before assuming his position at HUD.

On July 16, 1989 a Washington Post article (No. 6) described Maryland Housing officials' accounts of Judith Siegel's connection with Demery and Siegel's ability to secure units for Maryland when she had projects planned there, citing particular examples in 1988. The article also discussed how in the summer of 1987, after months of arguments from the field office, Demery had allowed Siegel to raise the rents on Kingsley Park, the project Siegel had testified about before Lantos in May 25, 1989. On that occasion, in her written testimony, Siegel had stressed the great risks of putting together the project, noting that between the initial selection in fall of 1986 and closing in fall of 1987, myriad problems had to be overcome, including the need to secure waivers of HUD Handbook provisions, with more than \$500,000 at risk. 1/150. The reference to the securing of waivers was omitted from her oral testimony. 1/142.

On July 20, 1989, a Philadelphia Inquirer article (No. 7) recounted Demery's varied fundraising activities for the Republican party, noting major contributions from Siegel, Abrams, Queenan, and Wilson. The article indicated that Silvio DeBartolomeis, then an employee of Winn and Abrams, had operated as a fundraiser for Demery with respect to the President's Dinner Fund. In the article, a senior aide to Lantos was quoted as saying, "Quite frankly, we've been trying to stay away from partisan politics. We haven't gotten into it."

On July 22, 1989, a Washington Post article (No. 8) reported that a HUD IG report had faulted Demery for favoritism in the administration of the Loan Management Set Aside Program. The article pointed out that \$1.7 million in subsidy went to Demery's former partner Robert E. Rohlwing. HUD officials had found that the project did not meet program requirements.

On August 10, 1989, Newsweek (No. 9), which a month before had run a feature story on the HUD scandal without mentioning Demery's name, in another feature story gave great attention to Demery and his connection with F.O.O.D. The article noted that Demery received "scores of phone calls from HUD officials turned lobbyists" and that in December 1987 Demery had rented a condominium from the Winn Group in Vail. It discussed the document that had been faxed to the Winn Group offices while Demery was in Vail, adding, "according to HUD veterans, Demery faxed back to his D.C. office copies of confidential regulations that had been altered and annotated in the handwriting of Abrams--who wasn't even supposed to see the documents, let alone edit them." The article noted that "Demery concedes that he may have shown Abrams the rules to get his advice 'as a former commissioner.'" But, when he had been interviewed by the HUD IG in May 1988, Demery had stated that he had not shared the document with the Winn Group. (In his interview, Demery also told the HUD IG that he had stayed in a condominium for which he paid \$500, but did not state that it was Winn's condominium.

B/1044.) It was evidently in an interview of DeBartolomeis, ten months later, that it would be disclosed that the condominium was Winn's, with DeBartolomeis stating that on February 14, 1988, Demery paid him \$500 in cash for the rental. B/941.) As already noted, Winn had not been asked about the rental.

3. Additional Information From the Investigations

On September 18, 1989, the HUD IG released a Supplementary Report (IGSR) providing additional information on mod rehab projects funded over the preceding six years. Though the report did not discuss the role of waivers, it pointed to a high frequency of excessive rents among projects where former HUD employees were developers or consultants. IGSR 4. All six projects that Abrams stated he was involved with (2/284-85), as well as the Casper project, were deemed by the IG to have excessive rents. IGSR at 46-51. Queenan was involved in all of these projects. Previously, the IG had responded to requests from the Banking Committee to indicate instances where its audits had shown excessive rents to result from waivers, listing a substantial number of projects in which Siegel and Strauss were involved, including Kingsley Park. B/1244-45.

The Supplementary Report also revealed considerable information about Winn Group activities in mod rehab that had not been previously known, at least to the public. The report indicated that Winn Group member Raymond Baker of Gold Crown, Inc., received 150 mod rehab units for a project called Fox Run apartments in Victoria, Texas, apparently in 1988; whether a consultant was involved was not indicated. IGSR 36. The report also showed that Queenan was a partner in a 48-unit project in North Dakota with Jerry L. Miede. IGSR 30. On this and two other North Dakota projects of Miede (comprising all North Dakota projects), Winn, Abrams, and Wilson were listed as consultants (receiving \$100,000), although in testimony before Lantos, Abrams had not included these among the projects in which he acknowledged involvement. 2/284. Apparently, North Dakota was selected for 50 units of mod rehab in August 1987 at a meeting between Demery and General Counsel Michael Dorsey. 5/351.⁵

Miede & Son contributed \$10,000 to F.O.O.D. on April 26, 1988, apparently in connection with the event held by Queenan two days later. Demery's phone logs would indicate that, on June 22, 1988, during a period when PHAs were being allowed to submit additional financing information in order to receive enough points for funding under the new rating and ranking system implemented by Demery, Queenan called Demery to state that Queenan needed to talk to Demery that day in Fargo; the message was marked "SPECIAL," and the call returned. Though North Dakota would not be funded as a result of the June 1988 selections, pursuant to funding decisions in October, 1988, North Dakota received another 33 units.

⁵ At the May 8, 1989 hearing Demery attached to his testimony a November 7, 1988 memorandum to Secretary Pierce in which Demery had responded to IG charges of impropriety. Attachments to the Pierce memorandum had reflected Demery's notes on funding decisions during his tenure, but the attachments were not included with the memorandum provided to Lantos' subcommittee. The attachments were found in Pierce's files that were made available in the summer of 1988. They are included as part of the transcript enclosed in No. 38.

On October 5, 1989, the Washington Post (No. 10) reported that an internal HUD report prepared at the request of Banking Committee Chairman Henry Gonzalez had found new evidence of favoritism in the awarding of rent subsidies for Fiscal Years 1988 and 1989 and had specifically faulted Demery.

In addition, according to a July 6, 1989 New York Times article (No. 11), which would also describe how Lantos had found a niche investigating HUD, Lantos had requested that the General Accounting Office double his staff to assist in the HUD investigation. An August 5, 1989 National Journal profile on subcommittee chief of staff Stuart Weisberg quoted Weisberg as indicating that the subcommittee was receiving a good deal of information through conversations with investigative reporters who were inquiring into projects around the country. So, it was becoming increasingly unlikely that significant matters would be overlooked.

4. Allegations of a F.O.O.D. Connection with Renamo

Another significant development during this period involved different allegations about F.O.O.D. On August 26, 1989, Knight Ridder distributed an article by David Willman and Gary Webb of the San Jose Mercury News (No. 12). The piece suggested that it was possible that F.O.O.D. was actually involved with distributing supplies to the Renamo insurgents in Mozambique. The information on F.O.O.D. in the IG report itself should have led anyone knowledgeable about the Christian right's activities in Mozambique already to wonder whether F.O.O.D. was what it claimed to be. F.O.O.D.'s literature stated that it received F.O.O.D. from various aid groups in the United States and Europe (B/1213), while its officers stated that it received food from the South African government. B/1068, 1073. The emphasis in its literature was upon securing aircraft for distribution of supplies to outlying areas (B/1200-22 (No. 13)), an approach that would be especially amenable to the surreptitious delivery of supplies to Renamo units. In this regard, it remains unfortunate that Lantos never explained how he came to the "understanding that [F.O.O.D.] is a perfectly legitimate charity," when he first declined to probe the matter.

The principal information that the article added to what could be gleaned from the IG report included a statement from a representative of Christian Broadcasting Network (CBN), which supported Renamo, that when Demery solicited a \$25,000 contribution in the summer of 1986, CBN had been led to believe that the contribution would in part ease the plight of the families of Renamo soldiers. Although the CBN contribution would have approximately equaled all previous F.O.O.D. contributions combined, Demery maintained that he had not been involved with the solicitation and had only recently learned of the contribution. The article also reported that Demery's phone logs showed that in April of 1987, he had returned the calls of a Renamo lobbyist in Washington. Asked about the calls, Demery first said he "may have" returned the calls and then that he was "almost 100 percent certain" that he had not. Finally, the article reported that Martin Artiano, who frequently called Demery and was involved with organizing a F.O.O.D. fundraiser, had been a central figure in a fundraising operation for the Contras.

The article did not establish that F.O.O.D. was a Renamo front, though Demery's denials of certain contacts are harder to explain than the contacts. But the article clearly raised serious questions. Though it apparently ran in few Knight Ridder papers, it did run in the San Jose Mercury News, a major paper in Lantos' areas. The allegations, along with many of the allegations in the July 9, 1989 Washington Post piece, were also reported in the September-October 1989 Africa Report, the leading magazine on African Affairs. The allegations about F.O.O.D. and Renamo thus would seem another reason why Lantos would be expected to center his questioning of Queenan on Demery, whether or not he focused on the Casper, Wyoming funding that had received so much attention in the IG report and in the Washington Post.

5. October 13, 1993--J. Michael Queenan Appears Before the Lantos Subcommittee

As it happened, Lantos questioned Queenan at length on Casper, and did so with great vigor. Yet, though he would question Queenan briefly about his contribution to F.O.O.D. and Lance Wilson's solicitation of contributions to F.O.O.D., Lantos mentioned Demery's name only once. And he asked not a single question about Demery's role in the mod rehab selection process, either with respect to Casper or to any other funding decision.

In his questioning (No. 15), Lantos relentlessly pressed an evasive Queenan as to why Lance Wilson, having contributed no capital or special expertise, would receive a 50% equity interest in the Casper project. Eventually, a beleaguered Queenan was forced to acquiesce in Lantos' assertion that the 50% share was for securing the units from HUD.

Near the end of the questioning, this exchange occurs with an increasingly compliant Queenan (4/571):

LANTOS: ...

Was Mr. Wilson's assignment also to get units, as in the case of the Casper, Wyoming project?

QUEENAN: I believe as a partner he spoke to some HUD officials. I have no direct knowledge, though, sir, that he did.

LANTOS: Who would those HUD officials have been?

QUEENAN: I don't know, sir. I wasn't involved with those discussions.

Then, for several minutes, Lantos moved from Wilson to the reasons for employing Bill Taylor, Lynda Murphy, and Phil Abrams, concluding by observing that Abrams had been employed not for his "contracting expertise," but his "contacting expertise," with Queenan essentially acquiescing, first as to Abrams, and then also as to Taylor and Murphy.

Lantos then decided to conclude his questioning of Queenan on a striking note. In doing so, however, Lantos suddenly revealed that, for all Queenan's apparent evasiveness, he had the previous day already discussed his most significant disclosure

with the subcommittee. The following colloquy closed Lantos' questioning of J. Michael Queenan (4/573):

LANTOS: Yesterday, you told the subcommittee, Mr. Queenan, that you heard that Mr. Wilson contacted Ms. Dean but you were not sure that that was a fact.

QUEENAN: That is what I said then and I would also state today.

LANTOS: From whom would you have heard that?

QUEENAN: I believe from Mr. Winn.

LANTOS: Is there any reason for you to doubt Mr. Winn on that score?

QUEENAN: Not on any score.

LANTOS: Not on any score. So if you heard it from him--and you obviously seem to be impressed by his veracity--would you assume that his statement to you accurately reflected the facts?

QUEENAN: I would, sir.

LANTOS: Thank you very much. Before I turn the questioning over to Congressman Lukens, we will take a one minute break.

One needs to have been present, or at least to view the video tape, to fully appreciate how imposing Lantos could be in rehabilitating Philip Winn in order to validate this double hearsay that Lantos had to know could not possibly be true.

The advantage of this example of Lantos' apparent willingness to participate in the presentation of false testimony to his own subcommittee is its relative simplicity, given that Dean had left HUD long before any of the decisions on Casper. It is just difficult to believe that a Member of Congress could do such a thing intentionally. The remainder of the Casper story, however, while complicated, makes it much easier to believe.

PART TWO

A. OCTOBER 14, 1989, UNTIL MAY 23, 1993

Demery would appear again before Lantos' subcommittee, though not until May 23, 1990. In the meantime, a number of things happened that would make it very difficult for Lantos to avoid a serious inquiry into Demery's actions on behalf of developers and consultants, notwithstanding Demery's so far uncontradicted testimony that he did not know who the developers and consultants were when he made mod rehab decisions benefiting them.

1. HUD Releases Demery's Wordprocessing Diskettes.

To begin with, a few days after Queenan testified, there occurred an unexpected release of documents by HUD. Though there had been numerous FOIA requests of Demery's documents, it happened that Demery had left no documents at HUD except for calendars and phone logs that had been turned over to the HUD IG in the middle of 1988. Or so it had seemed. In mid-October, HUD released the hard copy of documents that had been stored on five wordprocessing diskettes retained by Demery's clerical staff. Some of those documents were of considerable interest.

a. The November 1, 1987 Listing

i. The Winn Group--Richland, Wyoming and Victoria

The most important, as far as this account is concerned, is a simple two-page list. The first page contains 21 numbered mod rehab funding requests pending on November 1, 1987. The second page matches the numbers with the names of various individuals, as well as three "Unknowns." Two funding requests--158 units for Richland, Washington, and 150 units for Victoria, Texas--were matched with the name Winn. A request for 150 units for "Wyoming PHA" was matched with the name Wilson. 5/340-41 (No. 15). All three were eventually funded, with both the Wyoming (Casper) units and the Victoria, Texas units going to Winn Group affiliates.

As to Richland, after persuading the Richland Housing Authority to issue a request for proposals before it received any mod rehab funding from HUD, Winn, on September 18, 1987, would be the sole respondent, and presumably the developer of any mod rehab units subsequently awarded Richland by HUD. Having called Demery on September 10, 1987, to suggest that they have lunch on September 21, Winn would breakfast with Demery on the latter date in Washington, D.C. The day after he met with Demery, Winn entered into a purchase agreement for a 158-unit apartment complex in Richland.

On the same day Winn met with Demery, the Ritz Hotel catering manager transmitted to Worldwide Consulting Group a contract, dated September 19, 1987, for a F.O.O.D fundraiser to be held on October 19, 1987, in Washington, D.C.. Winn who had

contributed \$5,000 to a March 12, 1987 F.O.O.D. fundraiser in New York sponsored by Lance Wilson, would co-sponsor the Washington event, along with Abrams, Wilson, and several others, with Abrams having been involved with the planning since at least September 11, 1987. B/1093. (On September 15, 1987, Demery received in his office 50 F.O.O.D. brochures from the public relations firm handling F.O.O.D fundraising.)

In addition to Winn, Wilson and Abrams, the October 19, 1987 F.O.O.D. fundraiser in Washington was evidently attended by Winn Group members Queenan, Baker, Silvestri, and Mahon, each of whom contributed at least \$1,000, as well as DeBartolomeis, who would come by Demery's office on the afternoon of the fundraiser to deliver something. Baker would make another \$2,000 contribution in mid-November. Wilson would also solicit a \$5,000 contribution from his employer, Paine Webber. At this fundraiser, Queenan met Peter Pretorius, the president of F.O.O.D., and told him that he (Queenan) would also like to host a fundraiser, which he would later do in Denver.

On November 23, 1987, at a meeting between Demery and Pierce, Richland would be selected for funding of 158 mod rehab units with the reason listed by Demery as "Tri-Cities Depression, lack of funding." Casper would also be selected that day with the reason stated as "Soft market subsidence; lack of funding." 5/354. Victoria, Texas would not be selected for funding until June 1988, under the revised selection procedures.

ii. Robert E. Rohlwing

Also on the November 1, 1987 list was a 55-unit request from WEDA (Wisconsin Economic Development Agency) matched with "RER," Demery's former partner Robert E. Rohlwing, who had also contributed \$1,000 at the Washington fundraiser. Another WEDA request for 55 units had been selected for funding the prior August after Demery, accompanied by Rohlwing, had visited WEDA to discuss housing needs. In addition to being mentioned in the IG report on the Loan Management Set Aside Program, Rohlwing was an important figure in another IG investigation, which concerned whether Demery had improperly selected Rohlwing to manage certain properties for HUD in Texas, and had later transferred a HUD employee named Roy Santos from Houston to New York (then terminated him for not reporting) because the employee had created difficulties for Rohlwing in monitoring Rohlwing's management contract with HUD. The IG investigation was interrupted when Santos appealed his termination to the Merit System Protection Board. (Santos would be reinstated in his position in Houston in a settlement reached with the government in the fall of 1990.)

A 150-unit request for Raleigh, North Carolina was matched with TLC, apparently Timothy Coyle, HUD Deputy Under Secretary for Field Coordination. Coyle had implemented the Santos transfer to New York and then supported Demery's claim that the transfer was ordered because of the need for a Spanish-speaking employee to promote the housing voucher program in New York.

iii. David Barrett

A 150-unit request for More, Oklahoma, was matched with (David) Barrett, a close friend of Demery. More, Oklahoma would be selected for funding at a meeting of Pierce and Demery on November 23, 1988, with Demery later indicating to Pierce that the funding was at the behest of Senator Nickels. 5/354.

Though Barrett had not so far been mentioned in the hearings, when seeking to have Demery removed from the mod rehab selection process, the HUD IG had suggested that Demery had manipulated the June 1988 selection process for the benefit of Barrett and others. B/424-31 (No. 17). The June 1988 selection round was the first after Demery had fully implemented his reforms to the selection process, reforms that Queenan had described to the subcommittee as "tremendous and sweeping, furthering, ensuring competitive selection." 4/605.

The IG had questioned Demery's decision to increase the number of units the staff committee had recommended for Midland, Texas, from 100 to 125, which was the number of units in a building controlled by Barrett. B/425. In response (No. 18) Demery first pointed out that the Selection Committee (Demery, along with Undersecretary Carl Covitz and General Counsel Michael Dorsey) had no obligation to accept the staff recommendations. B/440. He also maintained that the increase was justified because of Texas market conditions, which he had confirmed in March 1988 at a meeting with both builders and regional staff while visiting Texas. B/442. Demery's telephone logs would indicate that while visiting Fort Worth, Texas on March 7, Demery and Barrett had met with Kenneth DeJarnet, head of the Texas Housing Agency. The decision to raise the number of units to 125 was made at a 9:00 a.m. meeting of Demery, Dorsey, and Covitz on June 27, 1988. Barrett would leave a message for Demery at 9:30 stating: "Doesn't need to speak with you--just needs a 'thumbs up or down on Saturday night'--did it work out?"

iv. Martin Artiano

A 150-unit request from Oregon was matched with (Martin) Artiano, also a close friend of Demery and co-sponsor of the October 19, 1987 F.O.O.D. fundraiser in Washington. Artiano was a subject of the IG report because of his partnership with Salt Lake City mod rehab developers Walter Pingree and William Dahle, from whom he solicited a contribution for the Washington fundraiser. According to the IG Report, in about November of 1987, Pingree and Dahle approached a housing official in Great Falls, Montana indicating that they had 300 mod rehab units set aside for them and were interested in doing business in Montana, Washington, Texas, and Oregon. B/923. Adams would allude to the representation by Pingree and Dahle in his opening statement to the subcommittee. 1/46.

When Pingree and Dahle had approached the housing official in Great Falls, they indicated an interest in doing a 40-unit mod rehab project there called the Franklin Hotel. Pursuant to their request the official had advertised for bidders for mod rehab projects subject to the award of mod rehab units from HUD, and Pingree and Dahle's proposal

was selected. But in order for Great Falls to be selected, under the revised procedures Demery implemented in 1988, the Denver Regional Office would have to place Great Falls on a list of PHAs to be invited to submit mod rehab applications. Interviewed on November 2 and 7, 1988, Barbara McCravey, Director of Community Planning and Development in HUD's Denver Regional Office explained to an IG investigator that Great Falls had not been on the list of PHA's that staff in the Denver office had originally recommended be invited to submit mod rehab applications. But when McCravey, along with Regional Administrator Grady Maples and the Regional Director of Housing, reviewed the staff recommendations, Great Falls was added because, according to McCravey, Maples had insisted "I have to get Great Falls on this list." B/1149. Great Falls would be placed fourth on a list of 16 prioritized PHAs. FOIA24. When Maples was subsequently interviewed by the IG investigator, he could recall no specific reason for the funding of Great Falls, adding that he believed that Demery had said he was interested in funding Great Falls but was not sure. B/1008.

Great Falls would ultimately be selected to receive 40 units and they would go to the Pingree/Dahle project. Pingree and Dahle would also receive a large part of the units awarded to Salt Lake City. Both of these selections would be questioned by the IG because they involved a decision by Demery to reconsider the financing factor in the rating and ranking process implemented in June 1988. The initial selection would not have occurred, however, but for a decision that the HUD IG would question.

After the committee had already ranked the applications, Demery had decided to receive additional information with respect to in-place financing commitments that could increase a PHA's score. B/425-426. (For a description of the discussion that led to that decision, see B/412 (No. 19). Among the materials considered for that purpose were identical agreements between the Boston Financial Group and Artiano/Pingree/Dahle regarding projects in Salt Lake City (108 units), Great Falls, Montana (40 units), and Santa Rosa, California (73 units). Because of the consideration of additional financing information, Salt Lake City's score was raised from 46 to 48 and Great Falls' score was raised from 44 to 48. From 19 PHAs tied with 48 points, Demery then selected nine, including Salt Lake City and Great Falls.⁶

The IG had also questioned a decision by Demery to raise the staff committee's recommended allocation for Salt Lake City, from 100 to 125 units. The IG noted that

⁶ The following is known about six of other seven PHAs scoring 48 points that Demery selected: (1) 150 units for Victoria, Texas went to a project of Raymond Baker of the Winn Group (recall that a Victoria, Texas request for 150 units had been matched with Winn on the November 1, 1987 list); (2) 80 units for the Maryland Community Development Administration (MCDA) went to a Siegel project called Yorkway (recall the July 11, 1989 article in the Washington Post regarding Siegel's approaches to official of MCDA in 1987 stating "I have reason to believe that I can get more mod rehab units."); (3) a notation on an IG worksheet indicated that 150 units for New Jersey DCA was for a Siegel project; (4) 100 units for Temple, Texas were apparently being promoted by Larry Dickerson (see discussion below); (5) with regard to 75 units in Dade County, Florida, most of the recent mod rehab projects in Dade County had gone to developers represented by Joseph Strauss; (6) with regard 100 units sent to Los Angeles County, see discussion of Aaron Gleich.

two Salt Lake City projects controlled by Artiano/ Pingree/Dahle accounted for 128 units and that Artiano was in frequent contact with Demery. The IG indicated that the Artiano/Pingree/Dahle projects were noted in supplemental financing information that had caused Salt Lake City to achieve a high enough rating to be funded. B/425. Demery defended the decision, pointing to information from regional personnel, Senator Hatch, and the PHA itself, but also appeared to argue that the increase was appropriate because it was the financing information on these particular projects that had caused Salt Lake City to receive a high enough rating to be funded. He also stated that his discussions with Artiano during the period were limited to explanations of how the mod rehab program worked. B/442-43.

Santa Rosa, California was not funded, nor does it appear that there Santa Rosa even had a mod rehab request pending at the time of the June 1988 selections. However, a new program had been implemented in 1988, whereby Section 8 Existing Housing Certificates became in many respect the equivalent of mod rehab units. (This is the program that had been shared with the Winn Group over Christmas 1987, and which the opportunity to review well in advance of publication, leave aside the opportunity to comment upon, gave them a significant advantage.) Among the miscellaneous documents found on Demery's diskettes, however, was a memorandum dated August 29, 1988, referencing a June 14, 1988 letter, and instructing that 125 units of Section 8 certificates be sent to Santa Rosa, California (20). This document, which also instructed that 125 units should be sent to Los Angeles, California (see discussion of Aaron Gleich below) was the only document of its kind found on the diskettes. Seventy-seven of the units would then be used in project-based manner at the Rosenberg Apartment. An IG audit would later find that Pingree and Dahle had approached the Santa Rosa Housing authority advising that funding was available for project-based Section 8 certificates; the audit would also find that Pingree and Dahle had been given an unfair advantage in competing for the units.

(A number of additional questions exist about the documents on Salt Lake City, Great Falls, and Santa Rosa. The documents that formed the basis for raising the scores of those PHAs are three identical letters to Pingree and Dahle in Salt Lake City from the Boston Financial Group reflecting some sort of financial arrangement. Each is dated May 25, 1988. At the June 15, 1988 meeting where Demery decided to accept additional information of financing commitments, Demery agreed to the staff's position that such commitments would have had to be in place prior to the May 31, 1988 deadline for submission of mod rehab requests. B/412-3. Since Monday, May 30, 1988 was Memorial Day, Wednesday, May 25, 1988, is about the last date that the documents could have been mailed from Boston and be received by Pingree and Dahle prior to May 31, 1988. Thus, Pingree, Dahle, and Artiano appear to have benefited from a very fortunate coincidence. On the other hand, the documents in the possession of the HUD IG bear markings (and a cover sheet) indicating that, on June 17, 1988, they were faxed from the Boston Financial Group to Pingree and Dahle, transmission commencing just after 9:35 a.m. Eastern Standard Time, and then were refaxed, minutes after receipt, commencing at approximately 8:04 a.m. Rocky Mountain Time, probably to Washington. Demery's phone logs indicate that at 9:35 a.m. that morning Martin Artiano returned

Demery's calls. Among the questions that seem to need a response is why the Boston Financial Group faxed these documents to Pingree and Dahle on June 17, 1988, if the documents had in fact been created and mailed to Pingree and Dahle on May 25, 1988.)

v. **Aaron Gleich**

A 244-unit request for New Haven was matched with (Aaron) Gleich. Gleich, a New York developer, had frequent contact with Demery, including a number of meetings in Demery's office. He also left numerous messages about various projects. The same 20% sample list that showed 42 calls to the Winn Group showed 29 calls to Gleich. 2/336. In an affidavit contained in the IG report, the director of the Portland (ME) Housing Authority stated that Gleich approached her in early 1987 stating that he could get 250 mod rehab units and visited her the following August stating that he could get mod rehab units directly from Demery. B/714. The official wrote a letter to Demery advising him that Gleich had said he could get units for the PHA though not that he had said he could get them from Demery. The official stated that Demery had then called her to say that he had "expunged" her letter, and then had explained that mod rehab units could not be targeted to a specific developer or cite. On August 25, 1987, Demery wrote her a letter to the same effect. B/714.

As previously noted, in the Banking Committee, Congressman Bruce Morrison, from New Haven, Connecticut, had examined Demery at length about Gleich and an effort to secure mod rehab units for New Haven, which eventually did not work out. B/76-77, 105-08 (No. 16d). Telephone messages to Demery from Gleich concerning New Haven also suggested something had not worked out in New Haven, with Demery's phone logs showing that in April 1988 Gleich had called Demery to talk about a meeting he had had in New Haven. In May 1988, a person who was believed to be associated with Gleich approached an official of the Los Angeles County Housing Authority stating that he and Gleich had an "allocation" that they had not been able to use in New Haven. Gleich also called shortly thereafter to say he had an "allocation" of some sort of units. The official indicated he believed Gleich was attempting to become involved in the Section 8 housing certificate program. B/1034. In the June 1988 mod rehab selection process, Los Angeles County's application was among those that achieved a score of 48 because of the consideration of additional financing information; it was then selected by Demery as one of the nine PHA's scoring 48 that would be funded. In addition, the August 29, 1988 memorandum previously mentioned with regard to Santa Rosa also instructed that 125 Section 8 certificates be sent to Los Angeles. When interviewed by the HUD IG a week before the IG report was issued, Gleich stated that he had not done any HUD work for over eight years. B/1035

Gleich had also been mentioned in the IG Report by an official of HUD's Manchester, New Hampshire Office, who stated that Gleich was a developer on some Maine State Housing Authority projects. The official stated that the Manchester Office had denied Gleich's requests for rent increases on those properties, then, but the office had " then suddenly got a 185 funding approval from Central Office authorizing the rent increase." B/704. The referenced document would be prepared by the Boston Regional

Office of September 29, 1987. This would follow by six days a meeting between Demery and Gleich on September 23, 1987. September 23, 1987 would also be the date of a \$5,000 contribution from Aaron Gleich to F.O.O.D. for Africa.

Gleich was one of several contributors to F.O.O.D. whose check date corresponded or closely corresponded with a meeting with Demery. Other matches of this nature included a \$5,000 check from Paine Webber (Wilson's employer) bearing the date of an April 21, 1987 dinner engagement with Demery. On April 23, 1987, the first day he was in his office following the dinner with Wilson, Demery would execute a waiver of certain HUD regulations on an apartment building in New York called The Colorado. Wilson would be paid \$25,000 for securing that waiver.

A third instance where the date of a check to F.O.O.D. would could coincide with a meeting with Demery involved a \$3,000 check from Gold Crown Foundation, an entity controlled by Raymond Baker, the developer of the Casper, Wyoming project, bearing the date of a May 11, 1988 meeting of Queenan with Demery. A fourth involved a \$3,000 check from Jewelcor, Inc. bearing a date of March 20, 1987, the day after Mark Holtzman, President of Jewelcor who had on occasion acted as a consultant for Joseph Strauss, called asking if a person could meet with Demery on May 20; Demery did meet with the person that day. A fifth is a \$1,000 check from David Barrett dated March 17, 1987. Barrett had stopped by while Demery was out on March 16, leaving a message that he would like to meet with Demery on March 17 or 19. Demery and Barrett then met in Demery's office on March 19.

Useful evidence as to whether these checks actually were handed to Demery may be found by examining the dates of deposits, since most checks are dated shortly before a fundraiser and are usually deposited as a group shortly after the event and odd contributions sent directly to F.O.O.D headquarters typically will be deposited shortly after the date of the check. Unfortunately, the exhibit provided in the IG report that shows the dates checks are deposited (B/1186-89) had substantial gaps, particularly in the early part of 1987. (The three exhibits providing information on contributors are included in No. 21.) For this reason, there is no information available regarding the deposits of the Jewelcor and Barrett checks. But there is useful information regarding the other three, which I treat here in reverse order of complexity.

(1) The May 11, 1988 check from Gold Crown Foundation would be deposited on May 23, 1988, along with one other--a May 13, 1988 check for \$599.21 from Demery himself. This strongly suggests that Demery received the Gold Crown check himself.

(2) The Paine Webber check that bore the same date as the April 21, 1987 dinner engagement between Wilson and Demery was deposited on May 8, 1987, along with one other--a \$1,000 check dated April 6, 1987 from the National Association of Homebuilders (NAH). According to Demery's phone logs and calendars, Kent Colton, Executive Vice President of NAH had called Demery on April 13, 1987, requesting a "1-on-1" meeting on April 15. Demery and Colton then lunched together on April 15. This suggests that Demery received the check from Wilson and received another check from

Colton, then sent them both to F.O.O.D.

(3) Gleich's September 23, 1987 check was listed as associated with the Boston fundraiser (B/1191), which was held October 29, 1987, and it would be deposited on November 30, 1987, along with 47 others, none of which is dated earlier than October 21 and all but two of which in fact appear to be associated with the Boston fundraiser (B/1187-88). The two that appear not to be associated with the Boston fundraiser are an October 23, 1987 check from the firm of Lane and Edson of Washington and a November 13, 1987 check from Raymond Baker of Denver. Herbert Collins, one of the organizers of the Boston fundraiser, took responsibility for mailing the Boston checks to F.O.O.D. B/1106. Phone logs indicate that during the month between the fundraiser and the time the checks were deposited Collins had several contacts with Demery and on November 24, 1987, Collins' secretary called saying she had about 50 "thank you's" to send and needed some F.O.O.D. stationery. This suggests the possibility that Collins ultimately gave the checks to Demery, who included the Gleich, Baker, and Edson checks and mailed them to F.O.O.D., or that Demery gave the latter three checks to Collins, perhaps along with the F.O.O.D. stationery, before Collins mailed all of them to F.O.O.D.⁷

vi. Larry Dickerson, Michael Govan, Fred Bush

A 202-unit request from Metro Dade was matched with (Larry) Dickerson. According to Demery's phone logs, Dickerson was the Chairman of the Oakland County, Michigan (Demery's county) Republican Party. Demery was involved in fundraising for Ohio Congressman Bob McEwen, with Demery's phone logs showing Barrett calling to say he had a contribution for McEwen. Dickerson, along with his wife who was the Financial Director of the Michigan Republican Party, assisted Demery with a fundraiser for McEwen in Michigan in August 1987.

Dickerson was the brother-in-law of Michael Govan, whom he would introduce to Demery on March 7, 1987, and Demery and Govan would occasionally meet or speak over the following year. Govan was a partner of Fred Bush at Bush & Co., which did some consulting on mod rehab and other HUD matters, and Demery's phone logs show Govan calling Demery about at least one HUD project, though not a housing project. Demery evidently came to know Fred Bush as well. A typed phone list on Demery's diskettes contained numbers and addresses for both Bush and his wife. In addition, Bush, who was a major fundraiser for then Vice-President George Bush, arranged for Demery to travel from New York to Washington on Air Force Two with the Vice-President in connection with fundraising activities of the Presidential Trust. That occurred on June 30, 1988.

Bush, who was then Ambassador-designate to Luxembourg, first testified before

⁷ Collins' calls to Demery were not invariably about F.O.O.D., however. Though Demery would tell the Banking Committee that Collins "has done no business with HUD," Collins would call Demery about three weeks after the checks were mailed to F.O.O.D. to talk to him about a 50-unit project in Charleston, West Virginia.)

Lantos on May 25, 1987. The questioning focused almost entirely on contacts Bush had made with Dean. One of three mod rehab projects that Bush acknowledged involvement with was in Temple, Texas, which Bush said he and his associates had not made any money on, adding in response to a question from Shays, that it had not been funded. 1/282, 284, 288. Bush specifically stated that he had contacted Dean on the project, and had contacted no other HUD official, in order to get his mod rehab projects approved. 1/282.

Whether or not Bush's project received the funds, however, the PHA in Temple, Texas had been funded, and that funding had figured significantly in the IG's effort to remove Demery from the mod rehab selection process. Along with Midland, Texas (discussed with regard to Barrett) and Salt Lake City (already discussed with regard to Artiano), Temple, Texas was another case cited by the IG where Demery had raised the funding level above that recommended by staff. The Temple application was also one which managed to reach 48 points because of Demery's decision to permit the submission of additional financing information and which was among the nine applications Demery then selected for funding from among nineteen application scoring 48. This decision would be made on June 27, 1988, three days before Demery's trip on Air Force Two.

Responding to the HUD IG in November 1988, Demery had defended the decision to increase the units in Temple on the basis of an expression of interest by Senator Lloyd Bentsen, who had provided information regarding an historic hotel which need 50 units to be renovated. B/442. And among the exhibits Demery had included with his original testimony before the Lantos subcommittee, apparently as an example of responding to Congressional interests, was an August 12, 1988 letter to Texas Senator Lloyd Bentsen advising him that Temple, Texas had been selected to receive 50 units, and referencing Senator Bentsen's interest in renovating the Kyle Hotel. 1/86.

No one asked Bush if he or anyone associated with him had talked to Demery about mod rehab, though Congressman Shays had almost broached the subject in this colloquy (1/276-77):

SHAYS: What is your contact with Mr. Demery? Did you know him before?

BUSH: No.

SHAYS: OK. You never spoke with him, you never had any conversations with him, and so on?

BUSH: I met him for the first time last year at a social event.

SHAYS: Right. Going back to Deborah Gore Dean, when you met with her...

On June 29, 1989, Bush appeared before the subcommittee to acknowledge more lobbying by himself and his associates than he had described in his earlier testimony, noting that he or his partners "had had numerous contacts" with HUD officials, including "Deborah Dean Hunter Cushing, Dubois Gilliam, Carl Covitz, Janice Golec, and others." By letter from his counsel three days earlier, Bush had clarified that the Temple, Texas, project had involved work commencing in July 1987, which would have been after Dean had any role in the mod rehab selection process, and that the project he had worked on

had been called the Kyle Hotel.

No one on the subcommittee, however, expressed any interest in clarifying this matter or, for that matter, inquiring at all into whether the "others" cryptically referred to by Bush might have included Demery.⁸

The appearance of Dickerson on the list might be a reasonable basis for further inquiry regarding Bush and Temple, Texas, at least if Dickerson proved to be associated with Bush and Govan.

Another event occurring during the period between Bush's testimony and Demery's second testimony that would warrant questioning of Demery about his contacts with Bush's associates. Bush and Govan had been consultants on a 180-unit project called Los Jazmines in Bayamon, Puerto Rico, which had been funded several years earlier, and which had been the subject of the questioning of Bush about his contacts with Dean. Subsequent to HUD's original authorization of the funding, however, Bayamon terminated its agreement with Bush's developer, and as of December 30, 1988, the developer represented by Bush had entered into an agreement to sell the Los Jazmines project contingent on securing mod rehab funding. B/729.

Demery visited Puerto Rico from February 15 to 20, 1988. On February 10, 1988, Govan had called Demery from Puerto Rico asking if Demery could fit something in during the Puerto Rico trip. On February 22, 1988, Govan would write to Gomez stating "we have met with representatives of HUD concerning the adjustments to the Los Jazmines project in Bayamon, Puerto Rico," though, confronted with the letter by the IG, Govan stated he could not recall who the HUD representatives were or the nature of the meeting. B/733. On November 30, 1987, Bayamon had requested 350 Section 8 certificates. On February 25, 1988, three days after Govan wrote his letter and five days after Demery's return from Puerto Rico, Demery sent 350 units of Section 8 certificates to Bayamon. On February 27, 1988, the mayor of Bayamon wrote to Demery, recounting their meeting of the previous week and the understanding whereby HUD rules implemented on February 4, 1988 would not apply to requests for certificates made prior to that date. The letter also thanked Demery for his active participation in the approval of the 350 certificates and formally requested the waiver of the requirements that no more than 15% of a PHA's subsidized units be project-based. On March 25, 1988, Demery would write to the mayor indicating a disposition to grant the request, but noting that the proposal would have to be evaluated against forthcoming regulations. B23/GA97/0484-5.

⁸ In fact the only reference to Demery in the lengthy hearing would be a statement by Shays, haranguing Bush about his contacts with Dean, concerning a listing of nine fundings (including one that Bush was supposed to have lobbied for) that Dean had given to Demery in October 1986. Shays observed that "you were on her list of units to be funded, not Tom Demery's list." 2/406. Interestingly, however, the nine fundings on the list Dean gave to Demery (IC1/100132, DM?058546) included 44 units for Texas. Demery instead ordered that these 44 units be sent to Lansing Housing Commission. See changed IC1/100058, EA28/2279). According to Demery's indictment (Superseding Indictment at 36), units were being sent as part of a conspiracy to reward the PM Group in return for buying Demery's business at an inflated price.

The IG audit of the Section 8 Certificate program, which was released on October 3, 1989, gave special attention to the decision to send 350 units to Bayamon. According to the audit, Staff in the Regional Office found the allocation of 350 certificates to Bayamon to be unusual. In the summer of 1988 discussions occurred in the Regional Office to the effect of "why were so many units going to Bayamon in one fell swoop." On September 26, 1988, the Acting Regional Administrator rescinded the allocation to 100 units. Certificate Audit at 10-11. On December 27, 1988, however, Demery, who had met with Govan on December 1 and who would meet again with Govan on December 28, would allocate to Bayamon 200 units of Section 8 certificates from the Headquarters reserve fund. The IG audit found there to be inadequate documentation for the 350-unit award; it also found that the award had been intended for a particular project.

vii. Others

Among the others on the list were Rick Price of Carnegie Evans, who was matched with a 150-unit request for North Dakota Housing. Carnegie Evans had contributed \$2,500 to F.O.O.D. prior to November 1, 1987, and Price would himself contribute another \$2,000 the following year.

Lou Kitchin, an Atlanta consultant who had been head of the Reagan campaign for the Southern states, was matched with two requests. Kitchin's telephone number would also appear on Demery's wallet-sized phone list.

ix. Other Lists

Although the November 1, 1987 listing was the only one of its kind that had been available to the public prior to Demery's second appearance, Lantos' investigators had acquired the files of former Undersecretary Carl Covitz, which apparently contained several other second-pages to documents showing the name of a person involved with a funding request. One of these lists, a funding of 60 units in Richmond, Virginia in August 1987 was matched with the name Sandy Sanders, a former HUD deputy assistant secretary, and one of those who had refused to talk to the HUD IG investigators. IC2/20004, GA75/2260F. Sanders, who had helped to sponsor the F.O.O.D. fundraiser in Washington, contributing \$1,000 himself, was in frequent contact with Demery during his tenure.

A similar listing relating to funding decisions made in November 1987, would link a funding of 52 units in Mobile, Alabama, with Lou Kitchin.

x. Initial Reaction to the November 1, 1987 List

The November 1, 1987 list of mod rehab requests received no attention in the major newspapers, except for brief treatment in a New York Times article on October 24, 1989 (No. 22). Demery had already stated to the press that Pierce wanted to know who was

behind projects. No one had ever pressed him on how that squared with his sworn statements that he (Demery) did not know who was behind projects. In any case, the reporter, seemingly oblivious to the fact that the list contradicted Demery's assertions that he did not know who the developers and consultants were (or that Winn was involved in mod rehab), merely referenced the earlier statement about Pierce's interest and noted that, when asked why the list had been kept, Demery stated, "Draw your own conclusions."⁹

It is not known whether the appearance of this list caused the subcommittee to request Demery to submit to further interviews with the staff. Much later, however, it would be revealed that Demery met with subcommittee staff on November 15, 1989. In that meeting Demery stated that he had never discussed the Casper, Wyoming project with Wilson. Subcommittee Report 234. That statement will appear again in this account.

b. Other Documents from Demery's Diskettes

The wordprocessing diskettes contained many other documents reflecting aspects of Demery's relationship with beneficiaries of his mod rehab decisions.

i. The "Sketch of Invitees

One of them was a "Background Sketch of Invitees," dated March 7, 1987 (6/380 (No. 23)) which Demery had evidently prepared for Pat Robertson, for whom Demery was a fundraiser. The document, which appears to concern a function that Demery held at the Four Seasons Hotel on April 28, 1989, with other invitees including Alan Bird and Peter Pretorius. The document described various invitees' potential for donations or fundraising assistance. Among those listed were Dave Barrett, Kenneth Puller of Puller Mortgage, Gabriel Diaz, and Joseph Strauss. Barrett would be described as a long-time Republican fundraiser who had been retained by the City of New Orleans to represent its business interests at the Republican National Convention. Puller was described as someone "making enormous profits from HUD," with Demery adding, "[a]side from a potential \$25,000, I think he could lead us to more."

Gabriel Diaz was a Puerto Rican Developer who was represented by Joseph Strauss as consultant. Under the name Gabilu Corporation, Diaz had contributed \$7,500 in connection with the New York fundraiser held March 12, 1987. In the "Sketch of Invitees," Demery described Diaz as very successful developer from Puerto Rico, who had contributed \$5,000 at the February 1986 Michigan event and who wanted to gather 15-20 people at \$5,000 each in his home to meet Robertson.

Demery described Strauss as a four-year friend whom he had met while Strauss was on the staff of the Secretary of HUD. Demery described Strauss as an "extremely articulate and aggressive conservative" who "contributed \$5,000 to the February 1986 Michigan event and convinced the other three \$5,000 donors (including Gabriel) to

⁹ The reporter who wrote about the list, and questioned Demery about it, apparently soon forgot about it himself. See further discussion of David Barrett *infra*.

support you." Demery noted that Strauss had "very strong contacts with national leading conservatives as well as ex-Cubans, now successful Miami businessmen," and that he "would like to schedule an event within the next 90 days and have 15-20 donors fly in and meet you at a location of your convenience."

Demery also described Strauss as a "[v]ery good friend of Ben Waldman's." Waldman, who had worked with White House personnel while Demery was being considered for his position, was working with Robertson at the time of the background sketch. He had been hired to take over fundraising activities for F.O.O.D. when Demery took his position at HUD (B/1066), and had, together with Demery, coordinated a Fundraiser in Dallas on October 15, 1986, and, together with Wilson, another in New York on March 12, 1987. B/1071, 1130.

Strauss, a special assistant to Pierce between 1981 and 1983, and probably the most interesting character in the whole affair, testified before Lantos the same day as Winn and Abrams. He was an impressive witness, who evidently had spent much time with the subcommittee before his testimony. Congressman Shays, with whom Strauss would cordially chat during breaks, indicated that he had not only met with Strauss, but called him several times on the phone, and that he had found Strauss "very helpful and cooperative." 2/195. Shays proceeded to be impressed by nearly everything Strauss said. Lantos, too, was pleased with Strauss's testimony, concluding, "I think you have answered all our questions. Thank you for your cooperation."

But the description in the background sketch suggested that Strauss may not have been as cooperative a witness as he had seemed to Shays and Lantos. In contrast to Demery's characterization, Strauss had told Lantos that he had little involvement in political fundraising, stating:

"I just want you to understand that I am not a major contributor, I am not a fundraiser. Maybe major isn't even appropriate. I am not even a minor contributor, really. Other than one personal friend who was running for Congress who I really like and respect and I would have supported him no matter what party he ran on, I don't think we would have given more than \$250 to anyone in politics."

Strauss would tell Lantos that Waldman had been hired to push a project at HUD because of his political connections and White House experience, but, not being asked, did not volunteer what the project was. After stating further of Waldman that "we didn't know him, but he had been employed at HUD, I think, at one point," he denied knowledge of any role Waldman may have had getting Demery his job at HUD. As to Waldman's work as a fundraiser for F.O.O.D., Strauss stated that he believed that Waldman "briefly, for a matter of a week or two may have had some involvement, but I believe after that he went to work for Robertson and had no further involvement with that institution. I say that only based on what I have read in the reports." 2/176. Strauss was asked by Lantos to submit for the record a detailed list of all projects on which he had worked on at HUD. 2/177. But in a letter of November 17, 1987, Strauss merely

responded to several other separate questions and provided no information whatever on mod rehab projects. 2/331. Evidently no one followed up on the request.

Responding to Shays, Strauss acknowledged a friendly relationship with Demery formed after Demery had moved to Washington to become Assistant Secretary indicating that he had only briefly met Demery years earlier while Strauss was at HUD. And, in another seeming contrast to the information on the background sketch, Strauss stated that there had been no relationship while Demery was in Michigan before coming to Washington in late 1986. 2/204. Strauss, who had contributed \$15,000 to F.O.O.D. at a March 12, 1987 fundraiser in New York sponsored by Wilson and organized by Waldman, testified that he did not know that Demery was involved with the charity until he arrived at the event. 2/204-07. Though he stated that he took "great exception to certain factual items in the Inspector General's Report," Strauss did not volunteer what they were, and no one asked. 2/205. Nor did anyone ask whether Strauss had ever contacted Demery about mod rehab requests or about anything else.

Strauss and Demery had a curious relationship. Demery's phone logs and calendars indicate not a single call from, or meeting with, Strauss during Demery's entire tenure at HUD, and Strauss was conspicuously absent from two lengthy, and each seemingly comprehensive, typed lists of phone numbers found on the diskettes. On the other had, as I have already noted, a 20% sample of calls from Demery's office between August 1987 and February 1988 showed that Demery called Strauss' West Virginia number almost 15 times a month. Another 8 calls per month were a Strauss number in Miami, Florida. 2/336. And on a wallet-sized list of twenty numbers also found on the diskettes Strauss is second, with listings for Washington and West Virginia, along with listings for Siegel (3), Barrett (2), Artiano, Queenan (2), Debartolomeis (2) and Bird.

The HUD IG's Supplementary Report indicated that between 150 and 250 units of mod rehab that were selected at a meeting of Demery, Dean, and General Counsel Michael Dorsey on April 7, 1987, would go to projects of Gabriel Diaz, with Strauss as consultant on at least part of those. IGSR 34-35, 42. The main reason given for the selection was information gathered when Demery toured Puerto Rico in February 1987. 5/350 (in No. 38). Strauss was also consultant on projects in Puerto Rico that were selected at the January 13, 1987 meeting that Demery had focused upon in his initial testimony. Developers who were clients of Strauss received the majority of units in each of three separate Puerto Rico allocations, with Strauss's fees totaling \$490,000. Much of Strauss's consulting was for developers in the Miami area.

While it is hard to piece everything together from information made available in the IG reports and other sources, it appears that, in addition to the Puerto Rico units just discussed, Strauss was involved as consultant or developer on the projects that benefited from decisions during Demery's tenure sending 325 units to New Jersey, 100 to Massachusetts, 82 to North Carolina, and 82 to Maryland. Much of Strauss' consulting work, however, was in Dade County, Florida. Developers represented by Strauss were recipients of the bulk of the units in three separate allocations totaling 553 units sent to Dade County between the April 1987 and February 1988, including the two cases where

developers represented by Strauss had shown up at the Dade County Housing authority with the funding documents indicating that their projects were supposed to receive the units. Since developers represented by Strauss did a large share of the mod rehab work in Dade County, it is possible that they were the intended beneficiaries of another 425 units sent to Dade or Miami in 1988. In any case, the precise numbers could be easily enough determined by Lantos' investigators, even if Strauss had failed to provide the requested list.

An October 24, 1989 article in the Washington Post (No. 24) would discuss the background sketch noting that Barrett, Puller, and Strauss did considerable HUD business, as well as the fact that Puller Mortgage was now suspended from doing HUD business for improper underwriting practices.

The article also described Demery's close relationship with Siegel, citing a letter found on Demery's diskettes thanking Siegel for a boating trip on Chesapeake Bay in June 1987. The outing had taken place on June 24, 1987, five days after Siegel had written to HUD Headquarter requesting Headquarters to overrule HUD's Baltimore Office refusal to grant a waiver allowing higher rents at a Siegel project called Kingsley Park, and one day after Demery granted the waiver.

On July 7, 1987, three checks totaling \$6,000 had been deposited in F.O.O.D.'s account. One, a \$1,500 check dated June 15, 1987, was from Altman Properties, a development company in partnership with Siegel on Kingsley Park. A second, a \$2,000 check dated June 18, 1987, was from a Boston developer named Herbert Berezin, who had used Siegel as a consultant on several projects and who had told IG investigators that Siegel had solicited the contribution. The third was a \$2,000 check from a Boston attorney named Howard Cohen, who had been identified in the IG report as an individual that Siegel may have invited to a fundraiser in Boston later in the year. That check would bear the same June 24, 1987 date as the outing on the Chesapeake.

ii. Other Material on David Barrett

Other documents on the diskettes disclosed various things about Demery's relationships with a host of individuals. Notes to Wilson (No. 25) and Queenan (No. 26) praised their generosity. A July 29, 1987 note to Barrett (No. 27) thanking him for an introduction to a Congressman would observe "how fortunate I am to have met you and to have developed a relationship that goes far beyond business. I just wanted to say thanks because often times I think thanks more than I say it. As always, I expect much fruit to come to bear from the meetings you arrange." One person to whom Barrett had introduced Demery was John Mamoulides, the District Attorney of Jefferson Parish, Louisiana. Demery's phone logs would indicate that on October 23, 1987, Barrett was arranging for Mamoulides to pick up Demery for certain activities in New Orleans on November 6, 1987, but that there would not be time for the visit to the HUD New Orleans area office, which had been the purpose of the trip indicated on Demery's travel authorization. Letters written by Demery after his return (Nos. 28, 29, 30) would thank

his several hosts for a splendid fishing trip though observe that "the 400 pounds of seafood you sent me home with is borderline excess (note I said 'borderline')!" Other documents on the diskettes would indicate that Demery in fact never had time to visit the HUD area office, though he had nevertheless traveled at government expense, claiming as well a \$143 reimbursement, and listing as the purpose of the trip, "Visit Area office; meet with local people re: mod rehab and soft market." Phone logs would also show that on November 23, 1987, the same day that Demery met with Pierce to fund the More, Oklahoma request for the ostensible reason that "Senator Nickels urged consideration due to soft market," Barrett would call to discuss a trip to New Orleans the following January where "John [Mamoulides] is making reservations... we're taking care of the 6th and 7th." Demery's phone logs indicated that in March 1988, Barrett would call with Demery's schedule for New Orleans, where Demery would travel after meeting with Barrett and a Texas housing official in Ft. Worth. A thank you note on the diskettes dated several days after the trip to New Orleans (No. 31) would wish a Jefferson Parrish restaurateur "best of luck in your new venture, and rest assured you have an effective salesman working on your behalf. I will surely see you on my next trip to New Orleans with big John Mamoulides." In the latter part of 1988, HUD would send 200 units of mod rehab to New Orleans, and 350 units of existing housing certificates to Jefferson Parrish in 1988 and 1989. In December 1988, HUD also sent 50 units of mod rehab to Ft. Worth.

On December 11, 1989, New York Times article (No. 32) concerning the discovery of additional Republican lobbying at HUD would describe Barrett's success in securing several projects, noting in particular a project in Tulsa, Oklahoma, as well as Barrett's friendship with Demery. Though written by the same reporter who had previously questioned Demery about the November 1, 1987 list that had matched Barrett's name with a mod rehab request from More, Oklahoma, the reporter showed no recollection of that list. He merely reported that Barrett had not returned calls and that Demery had stated: "I have never had any discussions with Mr. Barrett about mod rehab--period." Even leaving More, Oklahoma aside, however, Demery's phone logs showed a June 27, 1987 message from Barrett seeking Demery's help in securing a waiver of a 97% occupancy requirement on the same Tulsa, Oklahoma project mentioned in the article.

2. Other Information Becomes Available

a. Israel Roizman and Chester, Pennsylvania

Moreover, throughout the period since the IG report was first issued, additional material was becoming available that shed further light on subjects not fully developed in the report itself. For example, the IG had conducted several interviews regarding Israel Roizman, a developer who became friendly with Demery as a result of hosting three F.O.O.D. fundraisers. In Spring of 1988, Roizman told a Chester, Pennsylvania housing official that, because of "a friend in D.C.," Roizman could secure 250 mod rehab units for the PHA, and on April 18, Roizman contracted with the PHA to develop the units if the PHA received the units from HUD and proceeded to purchase 150 houses. On May 13, 1988, Blue Hills Housing, Limited, an entity in which Roizman was a partner,

contributed \$10,000 to F.O.O.D.

As of the last IG interview on January 10, 1989, the PHA official advised that, though Roizman had said the PHA would receive a letter from HUD authorizing 100 mod rehab units, he had not received the letter yet. B/977-78. Information that became publicly available after the IG report was released indicated that on December 23, 1988, Demery had authorized 70 units for Chester. This occurred notwithstanding that Chester had scored substantially lower on rating and ranking system than four other PHAs in the Philadelphia region that went unfunded. Though never mentioned in Demery's description of the revised selection procedure in defending the procedure to the IG or to Congress, Demery had relied on the rating and ranking procedures for only 85 percent of the units awarded in the Fall of 1988; he had allocated the remainder entirely at his own discretion.

In addition, evidently Roizman received at least 176 units elsewhere as a result of funding decisions in June 1988. In March of 1988, however, Roizman's group involved with this project, Broadway Townhouses, had agreed to pay at least \$1,000 per unit for securing these units to Michael Karem of Worldwide Consulting. Box 18/EB02/0868. Karem, who had had a large role in organizing the Washington fundraiser and was in frequent contact with Demery, was another consultant who had refused to be interviewed by IG investigators.

b. Judith Siegel and Gastonia, North Carolina

The attachments to Demery's November 7, 1988 letter to Pierce, which had emerged during the summer of 1989, also provided information that seem to bolster suggestions of impropriety contained in the IG report. One of the projects treated in the IG report had been an 82-unit Siegel project from Gastonia, North Carolina. According to the report, Siegel had approached officials of the Gastonia Housing Authority on March 4, 1987, telling them to send a mod rehab request to Demery and that "time was of the essence." The official stated that request prepared by Siegel was then sent to HUD. B/799. The request was selected for funding on April 7, 1987. Demery told both Lantos and the Banking Committee that he did not know Siegel was involved with this request. While acknowledging that he pushed the request, he stated that it had been funded because it was an exceptional request, describing it first as a 1.5-inch (1/59), then two-inch binder. B/79. B/79-81. The attachments to Demery's November 7, 1988 memorandum did show Demery asserting to Pierce that the request had been selected because Demery "[p]ersonally reviewed application and submission. Maximum effort." But it also indicated that the PHA letter had not been sent until April 17, 1987. 5/350. Demery's phone logs had shown that Siegel called Demery on April 10, 1987, leaving the following message: "Wanted to see if you got her CONFIDENTIAL letter--'She is hanging by her fingernails.'"

3. Revelation of Lantos' Hill & Knowlton Ties

Finally, Lantos had to consider that he could not entirely ignore allegations of wrongdoing by Demery if other members of the subcommittee were to take them seriously. Some of those members could be expected to be relatively well-informed on the issues, even if they had not full access to the materials available to the Chairman. In this regard, the role of Christopher Shays is significant. Shays, who throughout had been lavish in his praise of Lantos' handling of the hearings, had also been the most vocal supporter of the view that Demery had been unfairly singled out. Nevertheless, in questioning Queenan, Shays had reacted so incredulously to Queenan's statement that he did not know Demery had a role in the mod rehab allocation process that Queenan would state that he had misspoken. Shays then made clear that he believed that Queenan had secured favored treatment from Demery in consequence of his support of F.O.O.D. 4/603-04 (No. 33). This would seem to mean that, even without the additional material, Shays believed that Demery committed perjury numerous times in his earlier testimony.

But probably the strongest reason to believe that Lantos would have to seriously examine Demery when he appeared in May 1990 was the disclosure in an April 15, 1990 article in the San Jose Mercury News (No. 34), also by David Willman, that at the time Lantos made his decision not to inquire into F.O.O.D., Hill & Knowlton had been providing free office space to the Congressional Human Rights Foundation, an entity co-founded by Lantos. Though Lantos asserted that the space was worth about \$4,000 a year, a real estate firm had valued it at between \$10,800 and \$12,000 a year.

There was a dispute as to when Lantos learned that Hill & Knowlton represented Demery. According to the Mercury News article, Hill & Knowlton Managing Director Frank Mankiewicz, who helped represent Demery, declined to say whether Hill & Knowlton contacted Lantos directly before the May 8 hearing. Jill Schuker of Hill & Knowlton had stated in an interview the previous July that she had contacted the subcommittee on Demery's behalf before the May 8 hearing, but in a recent interview had declined to say whom she met with; she added that probably she met with staff.

Lantos' receipt of the office space and the dispute about when he learned of Hill & Knowlton's representation was treated in several major papers. In an April 19, 1990 New York Times article (No. 35), following on the Willman piece, Lantos was quoted as saying in an interview that he "did not have a clue" that Hill & Knowlton represented Demery at the time he made his decision not to inquire about F.O.O.D. In an April 16, 1990 Washington Post piece (No. 36), Mankiewicz, though still not revealing when he or someone from the firm first contacted Lantos, said that he had not met personally with Lantos on Demery's behalf until May 23, 1989. This still would have been two days before the Siegel hearing at which Lantos appeared to drop inquiry into Demery almost entirely.

Lantos appeared not to be cowed by the allegations. He secured from the Mercury News a "correction" of a headline and caption, the Mercury News noting (No. 37) that it had incorrectly stated that Hill & Knowlton had provided free office space to Lantos when in fact it provided the space "to the Congressional Human Rights Foundation, a separate non-profit organization co-founded by Lantos." Perhaps, however, it was as a

reflection of at least a some concern for appearances that, when the Hill & Knowlton political action committee would contribute \$1,000 to Lantos' campaign on May 15, 1990, the check would go uncashed. FEC Records. In any case, it must have been clear to Lantos that he could not give the appearance of partiality when Demery appeared before him again. It was possibly an appreciation of that fact that led him to make the following statement to the Washington Post:

"It is my judgment, and continues to be my judgment that Demery is a very sleazy character who might have a lot of problems before he gets through with these hearings."

B. Demery Testifies on May 23, 1990

1. Lantos Questions Demery

In his opening statement at the May 23, 1990 hearing, Lantos would state that Demery had come to talk about a January 13, 1987 meeting with Pierce and Dean at which "Secretary Pierce told Mr. Demery that he, Secretary Pierce, wanted to know who was behind each Section 8 moderate rehabilitation project." 5/322. (Lantos' questioning of Demery is attached as No. 38). In Demery's written and oral opening statement, he, too, along with a general defense of himself and an explanation of his efforts to reform the system, would focus on the January 13 meeting, stating (5/324):

"At that meeting, when reviewing specific mod rehab program funding recommendations, Secretary Pierce wanted to know 'who was behind' each mod rehab request. At that time, I realized that political considerations were to be a factor in the award of mod rehab units as viewed by Secretary Pierce."

With respect to Demery's assertions that through the implementation of the changes commenced in the fall of 1987 he had sought to eliminate political considerations from the funding process, Lantos would press Demery as to why after all those years Pierce was amenable to altering the system in late 1987. Demery eventually replied, among other reasons, that by then Dean and Dubois Gilliam had left HUD. 5/325-27.

a. Holyoke, Mass.

Lantos then turned to the circumstances that occasioned the January 13, 1987 meeting, which had evidently resulted from Demery's failure, on January 9, 1987, to have a subordinate fund a request from a Holyoke, Massachusetts PHA that involved a Judith Siegel project. Lantos would note that the request involved a Siegel project and asked why Demery had sought to approve the request. Demery responded that housing needs justified the selection and that at the time he did not know Siegel was involved. 5/334-35. Inasmuch as the IG Report indicated that the Holyoke Housing Authority had mailed the request on January 8 (B/604), Lantos might have asked how the request had come into Demery's hands in time for him to review it and attempt to fund it on January 9, much less to review the housing needs of Holyoke.

Had Lantos made such an inquiry, Pierce's asking Demery who was behind each project might have appeared in a rather different light. Demery's testimony made clear that the mod rehab recommendations considered at the meeting were, at least in part, recommended by him, and had indicated that it was in responding to Pierce's inquiry regarding those recommendations that Demery had "made the point that I don't know who was behind the requests..." 5/341. Since the meeting had occurred in consequence of Demery's attempt to assert what he maintained was his legitimate authority over the program, it hardly seems odd that Pierce would press Demery on this matter. There is, however, much reason to believe that Demery did not tell Pierce the truth. Apart from the funding of the Holyoke request, on which Siegel had been consultant, it appears that as a result of funding decisions made that day, 400 units were sent to Puerto Rico and went to projects on which Joseph Strauss was the consultant, with a total fee of \$490,000. Another 250 units, which were sent to Tulsa, went to a project on which David Barrett was a partner.

b. The November 1, 1987 Listing--Winn and Abrams

At any rate, after eliciting from Demery that Pierce was interested in who was behind a request, not the merit of the request, Lantos brought out the November 1, 1987 list of requests matched with individuals. After Lantos described the document, this exchange occurred (5/338-41):

LANTOS: ... My first, question is, did you compile this list of developers, consultants, or other individuals supporting each project on your own volition of under the direction of Secretary Pierce?

DEMERY: On January 13, when he wanted to know who was behind projects and I couldn't answer him, I realized from that point forward that if any outside contact was made on behalf of any PHA request to either me or my staff, that that should be noted and that information would then be passed on to the Secretary should he ask again.

Lantos then confronted Demery with his earlier statements that he did not know which developers or consultants were involved with particular projects. Demery explained, in effect, that he did not really know why these persons had expressed support for a project, and, indeed, as he had previously stated, he did not even know Winn and Abrams were involved in mod rehab. Besides, he added, some of the people on the list were lawyers and he did not ask them why they supported a particular request. 5/343-34.

c. David Barrett

Before anyone asked what being a lawyer had to do with it, the discussion had turned to David Barrett, whom Demery would describe as a lawyer rather than as a developer. Lantos noted the extensive phone messages from Barrett, including one asking Demery to call regarding the waiver of a requirement on a Barrett project in Tulsa, Oklahoma. Demery explained that he did not know that he returned the call. 5/345-46. Lantos did

not ask whether, assuming that he had not returned the call, Barrett raised the matter when they next met, and, more significant, Lantos did not ask whether Barrett got the waiver.

Then, confronted with the New York Times article in which he had denied ever discussing mod rehab with Barrett, Demery explained that the statement had pertained to the Tulsa project covered in the article, seeming thereby to acknowledge that he had discussed other projects, as in the case of More, Oklahoma, for example. Confusingly, however, responding to a question by Lantos, Demery stated that he might have discussed the program in general with Barrett, but then explicitly stated that he had never discussed a particular project. Lantos did not question him as to whether the circumstances leading to matching Barrett's name with More, Oklahoma involved the discussion of a particular project. 5/348. Nor, when Demery would later state to Congressman Shays that Barrett had contacted him personally about the More request (5/399), did anyone ask him to reconcile that statement with his claim that he never discussed a project with Barrett.

Several minutes after Lantos first discussed the More, Oklahoma request, Demery himself returned to the request, pointing out that it had not been funded. 5/349. Yet, Lantos had before him another document (shortly to be inserted into the record at 5/354) that indicated that More, Oklahoma was in fact funded, with Demery stating to Pierce that the reason for the funding was the contact from Senator Nickels. (The IG's September 18, 1989 Supplementary Report (at 50) would indicate that the developers receiving the units in Moore (sic), Oklahoma were Barrett's partners George and Gail Carnes.) Lantos, however, did not point this out, and if he wondered why Demery would keep a list in order to inform Pierce who was behind a project, and then tell Pierce something else, Lantos kept the matter to himself.

Lantos noted that Demery's phone logs and calendars indicated 65 calls from Barrett as well as dozens of meetings, lunches and dinners. 5/344, 5/348. He hinted that Demery's use of a HUD chauffeur to take him to lunches with Barrett might not have been justified, allowing Demery to explain that all the lunches were about HUD business but not about mod rehab. But Lantos inquired no further about the contents of the phone logs and calendars as they bore on the relationship between Demery and Barrett, nor did he raise any issues as to who might be the beneficiaries of the large housing subsidies sent to the New Orleans area near the end of Demery's tenure.

And Lantos made no mention at all of the IG's expressed concerns about Demery's manipulation of the June 1988 selection process to the benefit of Barrett. Artiano, about whom the IG had raised similar concerns, went entirely unmentioned, as did Roizman.

d. Larry Dickerson and Fred Bush

Few of the other names on the November 1, 1987 list were explored in depth. With respect to the name of Dickerson that had appeared on the list, Demery explained that Larry Dickerson was head of the Oakland County Michigan Republican Party and was

involved with Fred Bush. 5/348. Demery explained that Dickerson and his associates were attempting to get involved in mod rehab, but that the project was not funded. 5/349. No one inquired as to whether this project was in Temple, Texas, or otherwise sought answers to the questions that should have been asked of Fred Bush. But, it would seem that, at least in this one case, Demery would have to recognize that he did know that the person whose name he had placed on the list was a developer or consultant.

e. Robert E. Rohlwing

In the case of the WEDA request that was matched with Demery's former partner Robert Rohlwing, it was brought out that a 55 unit request for WEDA had been funded on August 20, 1987, two months after Demery met with the WEDA along with Rohlwing. The meeting, without reference to Rohlwing, had been communicated to Pierce as the reason for the funding. Lantos would observe that such a meeting would give the PHA a competitive advantage, but said nothing of any advantage it might have given Rohlwing. 5/349. Nor did Lantos see reason to note that the appearance of Rohlwing's name matched with a pending 55-unit request in November 1987 would seem not to involve units previously awarded, but additional units.

f. Judith Siegel--Gastonia, North Carolina

In discussing the listing of rationales for funding decisions that Demery had communicated to Pierce, the questioning turned to the 82-unit Siegel project in Gastonia, North Carolina. As noted, while acknowledging that he had pushed the request, Demery had previously denied that he knew Siegel was involved until he read the IG report. 1/59. In previous testimony, Demery had described the impressive application that caused him to support the request, first, as 1.5 inch binder in his initial testimony (1/59), then two inches when explaining to Morrison in the Banking Committee why he had personally reviewed it. B/79. Insisting again that Siegel's involvement was not known until the IG had issued his report, Demery would tell Lantos that what made the Gastonia application stand out was that it was a "true application ... a complete docket..." observing to Shays that the document was "literally, like, two and a half inches thick." Lantos pointed out that the funding decision was made on April 7, 1987, and the request was not sent by the PHA until April 21, 1987. Lantos would explain that he viewed this as indicating that the "deal was made before the PHA sent in an application." 5/356-57. Lantos quickly went on to another subject, however, without exploring how Demery had made the selection on the basis of his pre-selection, personal review of the application and did so without being aware of any Siegel involvement. Nor would he question Demery about the April 10, 1987 message from Siegel: "Wanted to see if you got her CONFIDENTIAL letter. She is hanging by her fingernails."

g. Lance Wilson--Casper, Wyoming

Lantos explored the original (January 1988) funding of Casper, Wyoming at some length, though seeming to accept at face value Demery's explanation that everything was quite regular, and inquiring not at all about the overriding of the staff recommendation

the following May. 5/363-68. To a question by Lantos as to whether the project was a Winn Group project pushed by Lance Wilson, Demery stated that he had come to learn that it was a Winn Group project as a result of the hearings (evidently having missed the extensive treatment of the matter in the IG report and Washington Post prior to the treatment in the hearings),¹⁰ and observed (5/634):

"I only received one outside call; it was a very brief call; it was from Lance Wilson, telling me he was aware that [Casper Housing Director] Sharon Shore had sent in her PHA request and that he thought that it was a very good PHA, and that was the discussion."

h. F.O.O.D. for Africa

Finally, Lantos turned to F.O.O.D., though without mentioning Queenan, and instead cited a memorandum where Wilson had sought a \$5,000 contribution from F.O.O.D. from his employer, Paine Webber. Lantos noted that Wilson had cited as the reason for the contribution that Paine-Webber had substantial dealings with FHA programs. Exploring the implications of that memorandum at length, Lantos called "absurd" a statement in a November 1988 memorandum from Demery to Pierce that Demery's own investigation had proven that none of the persons who had sponsored fundraisers had expected to benefit in any way, and then pressed Demery to acknowledge that people had come to believe that contributions to F.O.O.D. would influence his decisions. Lantos stated very firmly, "It's not your fault that they believed it, but they believed it." He did not explain whose fault it was, nor did he ask Demery about the fact that an earlier

¹⁰ One of the harder things to misrepresent is that one learned something later than he actually did, for it often is difficult to develop a plausible and consistent (though false) story of one's learning of a matter. Demery faced a number of problems in this area. For example, he told Lantos' subcommittee that "at no time prior to the [IG] report's release was I aware of who functioned as a consultant." 5/61. If other statements regarding lack of knowledge of various roles are not invariably so explicit, one nevertheless would read Demery's protestations of lack of previous knowledge to be generally tied to the IG report, issued in April 1989. And, even after the HUD scandal broke, Demery would tell a Denver Post writer that he had only recently learned that Winn and Abrams were involved in mod rehab. Yet, when Demery was interviewed by the HUD IG on May 4, 1988, and first denied knowing that Winn and Abrams (and Queenan) were in mod rehab, he no doubt learned as much during the course of the interview. B/1043. Thus, he would have been aware of their roles when having breakfast with Phil Winn on May 5, 1988, or when Abrams and Queenan met with him (separately) in his office on May 11, 1988, or when he returned Queenan's call on June 22. So let us suppose for the sake of argument that there could be some doubt that, in November 1987, Demery did not know Winn was in the mod rehab business when matching his name with mod rehab requests for Victoria, Texas and Richland, Washington. Certainly there can be no doubt that Demery knew Winn was in the mod rehab business on June 27, 1988, when Demery elected to fund the Victoria, Texas request that he had previously matched with Winn's name. But, for all the attention Lantos had given during Queenan's testimony regarding whom Wilson had contacted in return for a 50% share in the Casper project, Lantos did not question Demery any further about the contact. Whether or not this failure suggests anything about Lantos' state of mind when he elicited the testimony about Wilson's contacts from Queenan, we can at least conclude that he felt no pressing obligation to correct the false record created at the earlier hearing.

Added May 2008: Demery would eventually tell Independent Counsel investigators that at the breakfast meet with Winn in May 1998 he agreed to fund to Richland, Washington request.

\$5,000 check from Paine Webber bore the same date as his April 21, 1987 dinner engagement with Wilson. 5/375.

i. Aaron Gleich

Lantos did point out that one \$5,000 check for F.O.O.D., from New York developer Aaron Gleich, bore the same date as a meeting with Gleich, asking whether it was simply coincidence. 5/375. Though Lantos pointed out that Gleich also appeared on the November 1, list of mod rehab requests, he did not mention Gleich's treatment in the IG report, nor did he challenge Demery's assertions that he did not know Gleich had contributed to F.O.O.D. or that Gleich "was trying to do business with HUD, minimally." 5/376. Nor did Lantos say anything suggesting that it was improbable that the match between the check date and the meeting date was a coincidence or point to the several similar matches that might cast some light on that issue.

An obvious place to make such a point would have been in the context of Lantos' next and final line of questioning which involved Wilson's contacting Demery to secure a waiver of a technical requirement for insuring a mortgage on a luxury apartment building called The Colorado, for which Wilson earned \$25,000. Lantos would point to Demery's action finalizing that waiver on April 23, 1987, which, according to Demery's calendars, was the first day he was actually in his office following the April 21, 1987 dinner engagement with Wilson. Demery acknowledged that Wilson had discussed the matter with him, though he explained it as a routine matter of securing staff approval when certain conditions were met. 5/377-83. Lantos made no reference to the dinner or check, however, even when Congressman Weiss later confronted Demery with a listing of Wilson's Paine Webber expenses, and Wilson's paying for dinner on the April 21, 1987, was specifically noted. 5/413-14.

2. Others Question Demery.

a. Christopher Shays

Lantos then turned Demery over to the next questioner and himself asked no further questions himself. Only certain aspects of the other members' questioning warrant mention here. Shays sympathetically led Demery through a discussion of his efforts to gain control of the system and attempt to reform it. Nevertheless, Shays also made clear--perhaps even more so than he had in his questioning of Queenan--that Demery, too, had become an active participant in the system of awarding mod rehab subsidies on the basis of the identity of the persons benefiting from the award. 5/384-87, 394. Shays also elicited the following significant, if redundant, testimony in inquiring about which persons on the November 1, 1987 list had contacted Demery directly (5/400):

SHAYS: Wilson?

DEMERY: Yes.

SHAYS: This is Pete Wilson?

DEMERY: No, it's Lance Wilson.

SHAYS: I'm happy we clarified that.

b. Ted Weiss

Congressman Ted Weiss skeptically cross-examined Demery on a number of issues, and endeavored, though not too successfully, to learn the extent of the relationship between Demery and Wilson. He also confronted Demery with the July 9, 1991 Washington Post article that had treated the Casper, Wyoming episode as well as Demery's connection with F.O.O.D. When Demery said the numbers in the article were wrong, Weiss pressed him to tell how he disputed them, pointing out that he was under oath. Demery said he did not have the information with him. Weiss asked that he submit it, and Demery said he would--which he did just under nine months later.

c. Stuart Weisberg

After the other members had concluded their questioning, Lantos allowed his staff director, Stuart Weisberg, to ask a few questions. Weisberg commenced by observing: "Let me state right up front, Mr. Demery, that the mod rehab program was better when you left the agency than when you found it." 5/426. Notwithstanding that opening, Weisberg appeared to want to probe seriously the process implemented in May 1988. He confronted Demery with the testimony of former Under Secretary Carl Covitz, who, along with Demery and General Counsel Dorsey, had formed the Selection Committee that in some cases overruled the staff recommendations under the revised system in effect for the June 1988 selections. According to Weisberg, Covitz had stated that Demery simply brought a list to the meetings of the Selection Committee, and Covitz automatically concurred with everything on Demery's list. Weisberg then suggested that "the term 'selection committee' was a misnomer," and appeared ready to make the point that Demery was making all the decisions in June of 1988, when various allocations were increased to the benefit of Artiano and Barrett. Instead, however, he made the point that the Selection Committee was a rubber stamp for the staff recommendations. After discerning that this was Weisberg's point, Demery agreed, and they together concluded, in effect, that the implementation of Demery's reforms had taken Demery entirely out of the process. 5/426-27. Weisberg said nothing of the various circumstances that had led the IG to question whether the selection process had been manipulated in June 1988 and that led to the IG's request to have Demery removed from the selection process.

3. Appraising the May 23, 1990 Hearing

Nor, throughout the hearing, did anyone inquire about Joseph Strauss or Demery's varied fundraising activities with beneficiaries of his mod rehab decisions. With the exception of the discussion of The Colorado, waivers were not mentioned. As much as the public might be served by clarifying whether F.O.O.D. was or was not connected with Renamo, allegations on that score went unaddressed. There are also numerous other subjects that could have been explored, but were not--countless major and minor Roizmans and Artianos who entirely escaped notice. But here I shall limit further appraisal of Lantos' actions at the May 23, 1990 hearing to two issues.

First, with respect to the use of the November 1, 1987 listing, enough people knew that the document had appeared on the diskettes that it would seem Lantos had to mention it. The manner in which Lantos used it, however, gave Demery the best available chance of explaining it as something that would not prove he committed perjury in his statements that he did not know the identity of developers and consultants or that Winn and Abrams were involved with mod rehab. It is hard to believe that persons of modest intelligence would have found Demery's assertion that he did not know why Winn and others told him they favored particular requests not to be ridiculous. Nevertheless, Lantos gave no indication that he thought the explanation at all strained.

The more significant issue, however, is Lantos' participation in Demery's attempt to argue that the list was maintained for Pierce. In this regard, it is useful to consider what this list actually could be. Obviously 21 requests could not be the entire universe of requests pending at HUD, which doubtless would have numbered in the hundreds. In fact, Demery indicated in questioning by Morrison that there did not have to be a request on file in order to get a name on the list. 5/417-18. Nor could it have simply been a list of requests for which someone had made a call to Demery or his staff (as he said it was), for there were three requests where the person behind it was listed as "Unknown." One surmise is that Unknown was a code for the secretive Strauss who probably told Demery never to put his name on anything (and one Unknown is matched with Metro Dade where Strauss did much business); on the other hand, these might well have been requests that Pierce had told Demery to give special consideration without telling him why. But no one attempted to explore what this list actually could be or, for that matter, whether Demery ever in fact communicated the information to Pierce. In any case, one has to lament never being in a room where Pierce asked Demery who was behind this list of projects and hearing Demery reply: my friend Barrett, my friend Artiano, my friend Gleich, my ex-partner Rohlwing, my county chairman, your employee Tim Coyle, and three unknowns.

In a word, Lantos could not possibly have believed that the list was maintained for Pierce and not for Demery's own use. Yet Lantos methodically elicited that response and gave every sign that he believed it.

One indicator of the overall impression created by the May 23, 1990 hearing is its treatment in the press, though the press is certainly not immune to the assistance of Hill & Knowlton in interpreting complex events. And the press did not seem to think that anything of particular note had emerged about Demery. The following day the Washington Post (No.39) would focus on Demery's rhetorical descriptions of HUD as a place "enmeshed in a classic Byzantine management structure' of 'shifting alliance, manipulation and subterfuge.'" Pierce's inquiries in the January 13, 1987 meeting about who was behind projects--which Demery himself had described as focused on the specific funding requests discussed in that meeting, though maintaining that they had led him to an understanding of a continuing interest on the part of Pierce--were read as an instruction by Pierce to "keep him informed about 'who was behind' funding proposals..." The article also recounted Demery's testimony that "Pierce's change of heart [about

reforming the system] came after the departure of Deborah Gore Dean..." Demery's connection with F.O.O.D. was noted, as well as Wilson's memorandum requesting a contribution from Paine Webber. But there was no reference to any list that might have called into question prior representations on the part of Demery or shed any light on Demery's relationship with Wilson and others on that list. The New York Times did not report on the hearing at all.

So if Lantos wished to give the appearance of using any damaging evidence he had against Demery, notwithstanding Demery's representation by Hill & Knowlton, while still not doing him significant harm, he seemed to be basically successful. There remained, however, a question of what the subcommittee as a body would do about Demery's evident perjury, particularly since there existed some sentiment toward making a second attempt at having the Independent Counsel investigate whether Pierce had committed perjury.

PART THREE

A. THE SUBCOMMITTEE'S LETTER TO ARLIN ADAMS

That a quandary was facing some members may have been reflected in remarks made by Congressman Shays to the press shortly after the May 23, 1990 hearing. It has been noted that the voluble Shays, though one of Demery's strongest supporters, had made clear that he believed that Demery had become an active participant in the distribution of subsidies to benefit favored developers and consultants. The unavoidable implication of Shays' statements is that he believed Demery committed perjury in his blanket denials of knowledge of the beneficiaries of his mod rehab decisions. It may have been in appreciation of this that in a May 30, 1990 interview Shays would tell the Washington Post, "I have said from Day One, I don't want Pierce to get into trouble because he perjured himself. If he's done nothing wrong at HUD, then I think he shouldn't be in trouble." Actually, on about Day Twenty, Shays had been quoted by the Associated Press as volunteering that "I think there are some persons who are dangerously close to perjuring themselves." In any event, whatever qualms Shays may have had about prosecuting Pierce for perjury, while ignoring Demery's perjury, he would manage to overcome them soon enough.

Two months after Demery testified, and following what it termed "a careful review of the voluminous hearing record (6/1)" the subcommittee apparently had determined that it could not tolerate perjury in its hearings, nor could it countenance that a public official should permit a situation where he might appear to be influenced by contributions made to a charity he supports. The subcommittee even decided that the use of influence to secure waivers of housing requirements was an issue requiring serious attention. Accordingly, in a July 24, 1990 letter to Independent Counsel Arlin Adams (No. 40), signed by all eight members, the subcommittee addressed each of these matters in recommending that the Independent Counsel's mandate be expanded.

1. Charitable Contributions

In its letter, however, the subcommittee did not raise any of these matters with respect to Demery. Even the charitable contributions issue was raised with respect to Pierce, not to Demery. In a section describing the circumstances whereby, acceding to the lobbying of Carla Hills, Pierce lifted certain restrictions on the coinsurance lender DRG Financial Corporation, the subcommittee pointed to the fact that Pierce's action in this regard occurred on May 9, 1985, five days after he had been honored at a gala dinner benefiting a local private school. The letter pointed out that a scholarship fund had been established at the school in Pierce's honor, and that a group of donors had been given an opportunity to meet with Pierce in late April, observing significantly, "[f]irst on a list of 11 companies that had contributed to the Pierce Scholarship and accepted the invitation to meet with Secretary Pierce was DRG Financial Corporation and its president Donald DeFranceaux." 6/26.

Reference to the attachment cited in the subcommittee's letter would reveal that DRG was at the top of the list because the list was in alphabetical order, and that the list (actually of eleven companies and two individuals) also indicated a total contribution of \$13,000. Even if Demery might not, Pierce, assuming he read the list which was in a letter to the attention of his executive secretary, presumably inferred that each of the thirteen donors had contributed \$1,000. 6/113. Even without the subcommittee's own evidence that Pierce had lifted the restrictions because of Hills' lobbying, however, its suggestion that Pierce was influenced on this matter by the DRG contribution is an improbable one.

There nevertheless is something unseemly in a public official's involvement in a situation where individuals doing business with his agency could believe that their contributions to a charity might influence the official's actions. The difficulty here is knowing how responsible Pierce was for the situation. It would be far easier to appraise Pierce's responsibility if he had done it again and again and again.

2. Waivers

The waiver question was treated in a section headed "What Did Secretary Pierce do for [his former firm] Battle Fowler," which dealt with a mod rehab project called Allenhurst Apartments in Amherst, New York that was funded in 1984 apparently after lobbying by a partner in Pierce's former firm. The letter indicated that the ultimate success of the project turned on securing from HUD a retroactive waiver of a public notice requirement in 1988, for which Lance Wilson was paid \$25,000 on March 31, 1988. 6/20-21. Though Demery had been in touch with Wilson in February and March 1988--on March 11, 1988 writing Wilson to thank him for the "thoughtfulness and attention" shown when Wilson had entertained him in New York in late February--there would be no mention of any role Demery may have had in assisting Wilson on this matter, just as Demery had assisted him the previous year when Wilson earned \$25,000 for securing a waiver on The Colorado.

3. Perjury

The most interesting aspect of the subcommittee's letter to the Independent Counsel, however, concerns perjury. It is hard to imagine that any but the dullest members of the subcommittee were not convinced that Demery had committed perjury in his testimonies of May 8, 1989 and May 23, 1990, as well as before the Banking Committee on May 11, 1989. Still, much perjury before congressional committees goes unremarked upon much less prosecuted. But the subcommittee did not merely ignore Demery's perjury, it took Demery's statements and used them in a letter to persuade the Independent Counsel to investigate perjury by Pierce. And it in fact used statements of Demery's that there was much reason to believe were either false or, at best, intended to mislead.

Supporting its contention that "it was Secretary Pierce who controlled the mod rehab program and wanted to know 'who was behind' each mod rehab request," the

subcommittee quoted Demery's several statements that Pierce was interested in knowing who was behind each project presented to him by Demery at the January 13, 1987 meeting, which interest Demery contended formed Demery's basis for inferring that Pierce had a continuing interest and that he (Demery) should do such things as maintain the November 1 list for Pierce's benefit. 6/12-13. It is a dubious practice for accusers to rely on the statements of a perjurer even if those particular statements seem entirely credible; it seems an unconscionable one when there is so much reason to believe the statements are false.

This is not to deny that there exists ample evidence that Pierce frequently ordered that PHA requests be funded because of who was promoting the request, nor is it to strenuously argue that he ought not to be charged with perjury. When he appeared before Lantos, Pierce evidenced no burning desire to tell the truth, chips to fall where they may, and not completely averse to putting the blame on others. On the other hand, he was almost 67, appearing unprepared and without counsel, and made all sorts of confused and contradictory assertions that many would dismiss as obvious exaggeration. Demery, by contrast, appeared with a lawyer, leave aside a team of public relations experts, and calculatedly lied again and again in a concerted effort to divert attention to others. It takes an unusual sense of fairness to not merely tolerate Demery's perjury, but knowingly employ it against Pierce.

B. The Subcommittee Report

In November 1990, the subcommittee issued a lengthy report on its HUD investigation, providing a final basis for analyzing the good faith of Lantos' treatment of Thomas Demery and those who Demery maintained were the actual abusers of the mod rehab program. Harking to a theme introduced by Demery on May 8, 1989, and within moments picked up by Congressman Shays, the Subcommittee Report twice states that "[i]t was unfair to single out Thomas Demery for top billing" of the IG report (SR 9, 211), and like Weisberg's observations to Demery, the Subcommittee Report concludes that because of reform measures undertaken by Demery, "the mod rehab program was better when Demery left the agency than when he found it." SR 211.

Though the Report would principally deal with the activities of others, as to Demery, its approach was very like Lantos' questioning of Demery on May 23, 1990, raising points that would lead astute observers to think something was keenly amiss, but leaving those points to speak for themselves with little editorial assistance. For example, the Report observed that Demery had stated under oath that he did not know who the developers and consultants were, following with a discussion of the November 1, 1987 listing, and a verbatim recounting of his explanation. No comment is offered as to the credibility of that explanation. SR 214-15. But the various observations interspersed throughout the document indicating that Demery, too, became a party to the abuses of the mod rehab program, if only a minor party (SR 210, 216-17), logically would seem to indicate that the author(s) believed that Demery perjured himself countless times. Yet, though a long section would be devoted to exploring the possible perjury of Pierce (SR 163-87), quoting at length again from Demery (SR 185-87), nothing would be said of

perjury with respect to Demery.

The Report would note Barrett's appearance on the list matched with the More, Oklahoma request, as well as his close relationship with Demery. It also cited Demery's denial of talking to Barrett about the Tulsa projects, the phone message left by Barrett, and Demery's claim that he did not know that he had returned the call. SR 216-17. It did not point out that Demery had denied talking to Barrett about any project, or discuss how that statement can be reconciled with More, Oklahoma's appearance on the list or Demery's statement that Barrett had talked to him about More. The Report made no mention of Demery's actions in the June 1988 selection process that benefited Barrett or others, nor of anything else that might suggest that the system was not wholly reformed after Demery implemented his modifications.

A short section on F.O.O.D. would essentially track Lantos' questioning about such things as the Paine Webber memorandum and the fact that that Gleich wrote a check to F.O.O.D on September 23, 1987, the same day he met with Demery. Like Lantos, however, the Report would fail to mention anything brought out about Gleich in the IG report or any other matches of check dates and meetings. The Subcommittee Report omits any reference to Gleich's appearance on the November 1, 1987 list. The section closes with a quotation of Pierce's statement that one needed to contribute to F.O.O.D. in order to be treated favorably by Demery. SR 218-22.

The Report discusses Siegel in connection with her 1986 employment of Watt to secure 300 units for the Kingsley Park project and quotes her statement that Watt could get calls returned at HUD while she could not. SR 47-48. No mention was made of her projects in Holyoke and Gastonia or other successful efforts to secure mod rehab units in 1987 and 1988, her fundraising for F.O.O.D., or her friendship with Demery and the evident ability during his tenure to get a call returned or a meeting arranged any time she desired.

A very brief section was devoted to Joseph Strauss, mainly discussing his hiring of well-connected consultants to act on his behalf, but the only mention of Demery would be in a concluding observation that "[a]lthough he employed 'heavy hitters' to lobby HUD for his projects, Strauss himself had a close relationship with both Deborah Dean and Tom Demery." SR 254. The section makes no reference to Strauss's contribution to F.O.O.D. or his relationship with Demery's other fundraising activities, nor does it discuss whether Strauss's need to employ well-connected consultants continued after Demery took office. The section also does not mention Strauss's testimony that he did not have a close relationship with Dean, having in fact said: "We were friendly in the way co-workers would be friendly, but it was not a deep friendship at all." 2/203.

A subsection of a part giving extended treatment to Lance Wilson would be titled "Lobbying Deborah Dean," but though it would describe some communications between Dean and others regarding an Urban Development Action Grant with which Wilson was associated, it would mention no contact made by Wilson to Dean on the matter. SR 240-44. J. Michael Queenan's sworn statements notwithstanding, the Report would say

nothing of contacts Wilson made to Dean regarding mod rehab units.

Though no section heading would mention Wilson's lobbying of Demery, the Report would state that Wilson earned \$25,000 to secure a waiver from Demery on The Colorado. SR 250. But there would be no reference to the fact that the document finalizing that waiver would be executed on April 23, 1987, Demery's first day in the office after the May 21 dinner at which there is reason to believe Wilson handed to Demery a \$5,000 contribution to F.O.O.D. The Report noted that Wilson had earned \$40,000 to secure a waiver for Michael Levitt on the Northland Village Apartment Complex, describing a May 26, 1987 meeting between Wilson, Levitt, and Demery. SR 251. No reference would be made to the facts that on April 6, 1987, Levitt's company, Michaels Development Company, contributed \$5,000 to F.O.O.D. or that, on April 21, 1987, Wilson probably delivered a Paine Webber check for the same amount. And in a subsection entitled "What did Secretary Pierce do for Lance Wilson," the Report would make the same point made in the letter to the Independent Counsel about the Allenhurst waiver, for which Wilson was paid \$25,000, though again without mention of any role Demery might have had in such a matter. SR 195.

A section devoted to the Winn Group, though focused principally on Dean, would discuss the many contacts of the Winn Group's members with Demery. Though Demery's contention that he did not know Winn and Abrams were involved in mod rehab had been obliquely reflected in his response noted elsewhere in connection with the November 1, 1987 list (SR 214-15), in this section there would be no mention of that claim or of whether it was believable. SR 224-29. There was no discussion of whether there was reason to believe or not to believe that the Winn Group had ever contacted Demery in order to secure mod rehab units, and there was no reference to rental waivers.

A subsection on the Winn Group would be devoted to the Casper, Wyoming project (No. 41). Although that Wilson's name was on the November 1, 1987 list had been elsewhere noted (but without reference to the requesting PHA or whether the request was funded) (SR 215), no mention was made of that listing in the subsection on Casper. The Report would discuss the suspicious circumstances by which Casper got on the Denver Office's list and the fact that on May 27, 1988, HUD Denver Regional Administrator Grady Maples approved the award of the funding over the objections of the HUD regional staff. It would note that Wilson got a 50% equity interest without putting up any money, suggesting that Wilson received that interest for lobbying Maples in April and May 1988. There was no discussion of whether the equity shares would have been agreed upon long before the problems arose in Denver. SR 232-25. Though attributing the selection of Casper to Demery, the Report confusingly discusses, at the end of the section, Demery's actions with regard to the original January 1988 funding decision without discussion of any subsequent role he may have had or his apparent acknowledgment to the Washington Post that he had made the decision. Nor is there any mention of the IG's extensive treatment of the April 28, 1988 Denver fundraiser, where Queenan had reserved rooms for Demery, along with Wilson and the Casper PHA director. SR 229-35.

Most notable, however is the following. It has already been noted that Demery told Lantos that Wilson had contacted him about the Casper request and that Demery repeated that admission to Shays. These sworn statements, however, were omitted from the Subcommittee Report. Rather, after noting that Demery was a strong supporter of the Casper award, the Report suggests that Wilson could not have received his 50% share for influencing Demery--for this simple reason (SR 235):

"In an interview with subcommittee staff on November 15, 1989, Demery stated that Wilson had never discussed the project with him."

C. Demery's February 13, 1991 Letter

The Subcommittee Report largely concludes Lantos' involvement in the inquiry into Demery's activities relating to the funding of Casper, Wyoming and other matters. There is, however, one document created several months after the Subcommittee Report was issued that still deserves mention. On February 13, 1991, Demery sent a letter to the subcommittee in which he belatedly responded to the request made by Congressman Ted Weiss at the May 23, 1990 hearing to submit for the record the errors that Demery had maintained could be found in the July 9, 1989 Washington Post article.

In his letter Demery first objects to the Post's calculation of amounts collected by F.O.O.D. in 1986 before and after he took office. The dispute essentially involves the fact that the Post used as the dividing line Demery's nomination on August 11, 1986, while Demery (technically correct) used as the dividing line his swearing in on October 21, 1986. The Post still seems to have placed a \$25,000 contribution from Christian Broadcasting Network on the wrong side of the line, but otherwise the dispute is purely technical.

The remarkable part of this letter involves two other matters. Demery presents one list entitled "FOOD Contributors with Which Demery had no Contact Prior, During or Since his HUD Tenure." Among the checks listed here is one for \$3,000 from Gold Crown Foundation, which is the check bearing the same date as Queenan's meeting with Demery. Gold Crown Foundation shares the same telephone number with Raymond T. Baker's Gold Crown, Inc. Presumably, Demery's failure to list the two \$2,000 checks from Raymond T. Baker indicates that he acknowledges contact with Baker. Demery simply maintains he had no contact with Baker's foundation--a distinction of possible appeal to Lantos, but to few others. This list also included the \$10,000 check from Meide & Son, the company involved with Queenan, along with Winn, Abrams, and Wilson, in mod rehab in North Dakota.

This list also included a \$500 check from Cobbett Associates dated October 29, 1987, which had been solicited by Siegel. B/667-69, 1196. Demery may well have never met the developers of the Cobbett School project. But his phone logs suggest that in August 1987 he accommodated requests for waivers for Cobbett School from former Senator Edward Brooke. Cobbett School was one of the projects identified by the IG in a letter to the Banking Committee listing situations where a waiver was involved in an overpayment

of mod rehab subsidies. B/1245. Brooke earned \$150,000 on the Cobbett School project. In defending his fee in a Boston Globe article (No. 42) dated July 26, 1989, Brooke argued that "there was a lot of work to do in securing waivers." The reporter also talked to Demery, who stated that Brooke lobbied HUD through Pierce or Dean. Finally, Demery's list would include a check for \$4,854 from O/R Specialties. Here, Demery took advantage of a line the IG drew slightly atilt on one of his exhibits that might cause the casual reader to believe that O/R Specialties contributed \$4,854 on July 7, 1986, instead of the \$25.00 it in fact contributed on April 25, 1988. The \$4,854 contribution of July 1986 is from Paine Webber, suggesting that even before Demery's nomination was actually submitted, efforts were being made to secure his good graces through contributions to F.O.O.D.

Finally Demery presents a list entitled "FOOD for Africa Contributors who Did No Business with the Office of the Assistant Secretary of Housing During Demery's Tenure." Here Demery includes a \$5,000 contribution from Aaron Gleich. Even assuming that Gleich never actually did secure any units, this seems a rather narrow construction of "doing business." Demery also includes the \$3,000 check from Jewelcor that coincided with Jewelcor President Mark Holtzman's arrangement of a meeting with Demery for a third party. Most remarkable, however, is that, even though the Subcommittee Report four months before had explicitly discussed the dealings of Michael Levitt of Michaels Development Corp. with Demery in May 1987, Demery also lists the \$5,000 contribution Michaels Development Corp. made the preceding month.

Whatever one can make of this odd challenge to the accuracy of the July 9, 1987 article, it is perhaps noteworthy that neither in the letter, nor in his attack on the article to Congressman Weiss, did Demery challenge the article's assertion that it was he (Demery) who overrode staff recommendations with respect to the final decision to fund Casper.

A final irony the Lantos subcommittee's inquiry into the moderate rehabilitation program is that, because Demery was so late in responding to Weiss, his letter became the last item in the six volumes of hearing records. Demery's final paragraph thus would also close the subcommittee's record of its investigation. We shall let that paragraph close this account as well (6/473; original emphasis):

"While it is true that housing industry entities contributed to FOOD for Africa prior to and during Demery's tenure at HUD, at no time prior to and during Demery's tenure was a connection ever established between Demery's funding decisions and those who contributed to FOOD for Africa. Each attempt to create this link was found to be without merit."

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